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# **Daily Report—**

# **China**

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# Daily Report

## China

FBIS-CHI-88-208

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**General**

**Foreign Ministry Holds Weekly News Briefing**

**December Gandhi Visit Announced**

OW2710101888 Beijing XINHUA in English  
0925 GMT 27 Oct 88

[Text] Beijing, October 27 (XINHUA)—Indian Prime Minister Rajiv Gandhi is expected to visit China in December, Chinese Foreign Ministry spokeswoman Li Jinhua said here today.

At a weekly news briefing, Li said Gandhi's visit to China has been tentatively agreed upon by the governments of China and India, and will be a "major event" in Sino-Indian relations. China hopes that the Indian prime minister's visit will promote mutual understanding and the development of friendly relations between the two countries, she added.

She did not reply to a foreign reporter's question as to whether the Sino-Indian border dispute will be high on the agenda of Gandhi's visit.

However, she said China has always held that the border problem ought to be solved fairly and reasonably as early as possible in the spirit of mutual understanding and accommodation, and through friendly consultations.

The improvement and development of Sino-Indian relations are not only beneficial to both countries but will have a positive impact on the peace and stability of the region and of the world as a whole, the spokeswoman said.

**Uruguay President To Visit**

OW2710091588 Beijing XINHUA in English  
0839 GMT 27 Oct 88

[Text] Beijing, October 27 (XINHUA)—President Julio Maria Sanguinetti of the Oriental Republic of Uruguay will pay a state visit to China from November 4 to 9 at the invitation of President Yang Shangkun.

This was announced here this afternoon at a weekly news briefing given by the Chinese Foreign Ministry.

**PRC Signs UN Antiterrorism Accords**

OW2610194088 Beijing XINHUA in English  
1842 GMT 26 Oct 88

[Text] London, October 26 (XINHUA)—China has signed two international accords to fight against terrorist acts against maritime navigation, according to a Chinese representative at the London-based United Nations International Maritime Organization (IMO).

The two accords, the Convention for the Supression of Unlawful Acts Against Safe Maritime Navigation and the Protocol for the Suppression of Unlawful Acts

Against the Safety of Fixed Platforms on the Continental Shelf, were signed on Tuesday [25 October] by Chinese Ambassador to Britain Ji Chaozhu on behalf of the Chinese Government.

The convention and the protocol were adopted by 72 countries at an IMO conference in Rome in March this year.

They were drafted after an incident in October, 1986, in which an Italian ocean liner was hijacked by terrorists in the Mediterranean Sea and one hostage was killed.

The same year, the U.N. General Assembly passed a resolution which unequivocally condemned as criminal any acts, methods and practices of terrorism wherever and by whomever committed."

The U.N. General Assembly also called on the IMO to "study the problem of terrorism aboard or against ships with a view to making recommendations on appropriate measures."

Under the two accords, the signatory countries will enhance cooperation in devising and adopting effective and practical measures for the prevention of all unlawful acts against the safety of maritime navigation and the prosecution and punishment of their perpetrators.

Set up in 1948, the IMO is the only U.N. body based in London with a current membership of 132 countries. Its task is to promote maritime safety and prevent pollution on the sea.

China joined the U.N. Organization in 1973.

**UN Delegate Offers Conservation Participation**

OW2710015388 Beijing XINHUA in English  
1513 GMT 25 Oct 88

[Text] United Nations, October 25 (XINHUA)—Chinese delegate Luo Xu said today that China is ready to participate in international cooperation in the prevention of climatic deterioration.

Speaking at the General Assembly's Second Committee (economic and financial affairs) on a new agenda item on the conservation of climate, the Chinese delegate said it is an unshirkable responsibility of all states in the world to protect the natural environment and prevent climatic deterioration.

She stressed that the United Nations as the highest inter-governmental body in the world can make a great contribution to climate protection.

She suggested that the world organization enhance its monitoring and study of the atmospheric and climatic evolution so as to understand the on-going changes in the atmosphere and climate and their possible consequences and impact.

The new agenda item entitled "Conservation of Climate as Part of the Common Heritage of Mankind" was introduced by Malta in the General Assembly yesterday. In his introduction, the foreign minister of Malta, Vincent Tabone, proposed the creation of an inter-governmental panel on climatic change to begin an immediate review of the science of climate, with special emphasis on the social and economic consequences of global warming.

It is estimated that, in the next 50 to 75 years, the temperature of the earth's surface could increase by an average of 3 to 9 degrees fahrenheit, causing shifts in weather and rainfall patterns that would disrupt agriculture, forests, marine life, and other ecological systems. This is due to excess trace gases, which trap heat in the atmosphere, much as glass traps heat in a greenhouse, hence the expression "greenhouse effect."

**International Youth Policy Planning Meeting Ends**  
*OW2710041388 Beijing XINHUA in English*  
*1628 GMT 23 Oct 88*

[Text] Beijing, October 23 (XINHUA)—The international consultative meeting on integrated planning of youth policies, strategies and programs ended here today after approving a document expected to provide a scientific basis for the policy-makers of developing countries.

Over 20 officials and scholars from the United Nations and developing countries in Asia, Africa and Latin America attended the week-long meeting, sponsored jointly by the All-China Youth Federation and the Center for Social Development and Humanitarian Affairs of the United Nations.

The participants shared their experiences and addressed problems and issues encountered in the process of formulating, implementing and evaluating national youth policies and programs.

The approved document points out that despite improvement in the situation for youth in many countries, substantial problems still confront young people in terms of education and training, work, health, housing, family life, culture and environment.

Particularly, the document says, there are the problems of unemployment and underemployment, high illiteracy, inadequate access to education and training, the increasingly fragile relationship between young people and the older generation, their families in particular.

The document emphasizes the importance of education and training in integrating young people into society.

It also puts forth suggestions tackling youth problems.

Mohammad Sharif, deputy director of the UN Centre for Social Development and Humanitarian Affairs, told XINHUA that the document will be submitted to the UN General Assembly for discussion and distributed to the governments of developing countries.

Cai Wu, Chinese representative and deputy secretary general of the All-China Youth Federation, said in a XINHUA interview that problems among the Chinese youth include neglect of education among some students, inadequate technical and vocational education, not enough choices for jobs, and delinquency.

He stressed that the youth development depends not only on the environment and social conditions, but also on their own efforts.

**U.S. Opposes Soviet Access to Filipino Shipyard**  
*OW2610052588 Beijing XINHUA in English*  
*0113 GMT 26 Oct 88*

[Text] Washington, October 25 (XINHUA)—The U.S. Defense Department said that it "would not look favorably upon" the Soviet intention to get an access to a Philippine shipyard close to the U.S. naval base at Subic Bay.

This is "simply because of the opportunities that it might afford the Soviets to spy upon our activities at Subic Bay," Pentagon spokesman Dan Howard said.

"The Philippine Government is well aware of our feelings on the matter," Howard told reporters.

There are some reports today saying that the Soviet Union is seeking a deal with the Philippines to allow repair of Soviet military vessels at the Philseco Shipyard, a joint venture between Philippine and Japanese interests.

The Philippines has rejected Soviet requests in the past for such access to the repair yard. But economic and political factors appear to be prompting it to reassess that position, the reports quoted government officials as saying.

Howard declined to give "any independent confirmation" of the reports that the Soviet Union has tried to open negotiations with that shipyard.

"I am not aware of any contact between the Soviets and government of the Philippines on the matter," he added.

The desire for ship repair facilities apparently reflects a major Soviet military buildup in the Pacific in recent years. Since the end of 1984, the Soviet Union has increased the number of ships and submarines in its Pacific Fleet by 40 vessels to a total of 860, according to the Pentagon.

U.S. officials said that if the Soviet Union gets close access to Subic Bay, that will not only facilitate its collection of U.S. military secrets but will also enable its fleet to remain longer in the Asian-Pacific region, thus enhancing its military capability.

**Paper Views Economics of U.S.-USSR Relations**  
*HK2710060188 Beijing RENMIN RIBAO in Chinese*  
25 Oct 88 p 7

[Article by Li Changjiu (2621 7022 0036): "The Economic Background of the Readjustment of U.S.-USSR Relations"]

[Text] Since the mid-1980's, U.S.-USSR relations have undergone a series of major changes. The United States and the Soviet Union have held 4 summit meetings in 3 years and concluded a series of important agreements concerning arms control, regional conflict, bilateral relations, and some other important issues. As a result of these major changes in relations, the whole world is now experiencing a new period of detente. It can be said that U.S.-USSR relations have traversed the period characterized by the arms race and confrontation, and are now entering a new period characterized by contention in comprehensive national strength and dialogue.

The readjustment of U.S.-USSR relations has been carried out against a complicated economic background. Readjustment is the only choice for the two superpowers at a time when their economic strengths have been seriously weakened by the prolonged military confrontation and arms race between them.

In the mid-1970's, the economic development of the Soviet Union began to slow down and has since been stagnating. As a result, in terms of the economic strength and scientific and technological standards, the gap between the United States and the Soviet Union has been widened further. According to the official statistics of the Soviet Union, its national income equalled 31 percent of the national income of the United States in 1950, 58 percent in 1960, 65 percent in 1970, 67 percent in 1975, and 66 percent in 1985.

What merits attention is that in the 1950's and 1960's, mainly by relying on its rich resources, the Soviet Union endeavored to catch up with the United States in respect to the "absolute output value" of certain traditional industries. As a result, iron and steel output, petroleum output, cement output, and the output of various other traditional industries of the Soviet Union successfully surpassed those of the United States. However, in terms of efficiency, quality, and technology, the Soviet Union lagged more than 10 years behind the United States and other Western countries. Not long ago, commenting on the scientific and technological standard of the Soviet Union, Marchuk, President of the Soviet Academy of Sciences, said that the Soviet Union now takes the world lead in terms of mathematics, theoretical physics, astronomy, and so on, and has made outstanding achievements

in its research on space, laser technology, and many other fields. However, the Soviet Union still lags far behind other advanced countries in some scientific and technological fields. A report issued by the U.S. Congress said that Soviet electronic technology and computer technology lagged 7 to 10 years behind those of the United States. Some Western scientists also believe that in some high-tech spheres, such as computer science, life science, new materials, photoelectric technology, and so on, the Soviet Union not only lags far behind the United States but also lags far behind Japan.

With regard to comprehensive national strength, the Soviet Union ranks second in the world. However, with regard to gross national product, the Soviet Union ranks behind the United States and Japan and is now in third place in the world.

Confronted with this grave reality, Gorbachev, general secretary of the CPSU, has put forward some brand new ideas. According to Gorbachev, the present world is "plural and contradictory" and "neither the Soviet Union nor the United States can command the whole world;" the Soviet Union is still at the stage of "perfecting socialism;" capitalism still has vitality and is still "capable of promoting economic growth and mastering new science and technology." Based on this new understanding of the present world, the Soviet Union has decided to improve its relations with the United States and create a favorable international environment in order to realize its long-term strategy for economic development and bridge the gap between the Soviet Union and the United States with regard to economic strength and scientific and technological standards.

On the part of the United States, post-war U.S. foreign policy has been centered on dealing with the Soviet Union and socialism. Since Ronald Reagan assumed office as the President of the United States in the early 1980's, the United States has stepped up its arms expansion and war preparations as well as its confrontation with the Soviet Union. Over the past 7 years, the United States has spent a total \$ 2,000 billion on national defense expenditure. The Federal Government of the United States has had an outstanding financial deficit for 7 years running. Therefore, it is crystal-clear that the United States now lacks the real strength to continue its confrontation with the Soviet Union, its arms expansion and war preparations. The American columnist (Hashi) pointed out that just like the Soviet Union, the United States now also needs "a respite from the cold war and international tension."

At present, in respect to military strength, the United States and the Soviet Union are still relatively evenly matched. However, in respect to economic strength and scientific and technological standards, the Soviet Union lags behind the United States, that is to say, the Soviet Union has not yet become a realistic threat to the United States in this regard. However, Western Europe and Japan have now become strong rivals to the United

States in the economic, scientific, and technological fields. An article carried by the U.S. "WALL STREET JOURNAL" on 11 August of this year pointed out: "A series of major changes have taken place in the world over the past few years. These major changes have forced the United States to reevaluate its state interests. The safety policy aimed at checking communist expansion, which has been adhered to by the United States for a long time, has now become unsuitable to the present international situation. The new U.S. foreign policy should center on dealing with economic competition." The aforesaid "economic competition" actually refers to the contention among various countries with respect to comprehensive national strength. The statistics of the Japanese Comprehensive Research Institute show that with respect to comprehensive national strength, the United States gets 10 marks, the Soviet Union eight marks, Japan four marks, and Western Europe five marks. However, economists believe that with respect to economic strength and scientific and technological standards, Japan is now an undeniably strong rival to the United States.

First, although the United States still retains its position as the greatest economic power in the world, the economic gap between the United States and Japan is quickly being narrowed. Statistics show that Japan's GNP equalled one twentieth of that of the United States in 1950, one eighth in 1965, one third in 1985, and half in 1987. Moreover, Japan's per capita GNP has surpassed that of the United States.

Second, since 1985, the United States has become the biggest debtor nation in the world. By the end of 1987, the net foreign debt of the United States amounted to \$368.2 billion. In contrast to the United States, by 1986, Japan had become the biggest creditor nation in the world. By the end of 1987, Japan's net overseas assets amounted to \$ 240.7 billion.

Third, in the high tech field, the United States is still leading. However, competition from Japan in the high tech field cannot be ignored. A survey shows that between 1981 and 1986, the average annual growth rate of the output value of Japan's high tech industry was 14 percent, whereas that of the United States was only 10 percent. That the Japanese Government is presently cooperating with Japanese enterprises in rapidly developing high technology, has aroused the grave concern of the United States.

The peaceful diplomatic offensive launched by the Soviet Union at a time when the economic position of the United States is being seriously challenged by Japan, whose economy has been developing rapidly, caters to the needs of the United States. On the part of the United States, the changes in Soviet foreign policy conform with U.S. interests. As a result, the changes in Soviet foreign policy have given an impetus to the United States to

improve its relations with the Soviet Union, readjust its own foreign policy, and concentrate more of its efforts on dealing with the competition from Japan.

The readjustment of U.S.-USSR relations is by no means a makeshift but a strategic change in the international situation. The improvement of U.S.-USSR relations and the shift of the entire international situation from confrontation to dialogue have provided a favorable international environment for worldwide economic readjustment. Worldwide economic readjustment began in the late 1970's. By the end of the 1970's, almost all of the industrially developed countries, socialist countries, and developing countries had begun to carry out their own economic readjustments. This readjustment, which has been going on since the late 1970's, will probably continue into the early 21st century. Such a new international environment and situation has not only provided an opportunity but also provided a challenge to all the countries in the world. Generally speaking, the challenge is bigger than the opportunity. Therefore, those countries which adopt correct policies and especially attach great importance to the training of qualified personnel and the development of science and technology, will be able to greatly develop their economies, whereas countries which fail to do so will lag further behind.

**LIAOWANG on Future International Changes**  
*HK2710012788 Hong Kong LIAOWANG OVERSEAS EDITION No 42, 17 Oct 88 pp 3-4*

[Article by Wan Guang (8001 0342): "Talking Freely About Changes and Development in the International Situation"]

[Text] The development and changes now appearing in the world have become topics of discussion.

**Noticeable Trends [subhead]**

1. The trend of international dialogue and detente. U.S.-Soviet relations have entered a new period of detente, the depth and width of which has surpassed past periods of detente between them. The two countries have established mechanisms for multilayered, frequent and periodic dialogue between officials, from foreign ministers to officials of lower rank; they made a big stride forward in disarmament by signing the Intermediate-range Nuclear Forces Treaty; in the political settlement of regional conflicts, they brought about the conclusion of agreements between relevant parties on the Afghan and South African issues; both countries' defense ministers and chiefs of general staff held talks to monitor certain military installations; they conducted on-site-inspections in the other's country when executing the Intermediate-range Nuclear Forces Treaty. All these actions are unprecedented events in the history of U.S.-Soviet relations.

Relations among many other countries in the world are also relaxing; they are increasing dialogue. For example, there was a "small detente" period in East-West European relations in the early 1980s, during which U.S.-Soviet relations froze. Since the relaxation of U.S.-Soviet relations, communications between Eastern and Western Europe have developed further.

2. The trend of the peaceful settlement of regional disputes. Since the beginning of this year, the USSR has been withdrawing its troops from Afghanistan after signing the Geneva Agreement on the Afghan issue. A cease-fire has been achieved in the war between Iraq and Iran, which had endured for 8 years. Angola, after fighting for 13 years, began to hold talks with Cuba, South Africa and the United States on peace in Angola and Namibian independence, and they have reached agreement on certain principles. Regional disputes and conflicts in Asia, Africa and Latin America are also seeking a political settlement.

The seeking of political settlement in these conflicts is partly a result of the repeated failure of the super powers in their direct or indirect military intervention in these regions, due to the brave resistance of the local people. Besides, some long-time regional disputes and conflicts have caused serious damage to the parties concerned and to surrounding countries. In recent years, many regions have tended to strengthen consultation and cooperation among themselves, reduce foreign intervention, and seek mediation and negotiations to settle disputes or regional conflicts. In the past, the United States and USSR edged in and intensified regional conflicts. Now they promote the political settlement of certain hot-spot conflicts because of the overall consideration of their detente relations, and their intention to maintain influence by edging into negotiations and the settlement of regional conflicts.

3. The trend of adjustment and reform in countries all over the world. Different types of countries have different starting times for, and contents of adjustment and reform. Since the early 80s, various countries have been further implementing or enlarging adjustment and reform. The scope of adjustment and reform includes the aspects of domestic and foreign policies, strategies, systems and concepts.

Many countries in the world are paying more attention to economic, scientific and technological development to strengthen their overall national power. Different types of countries adjust and reform their economic systems and industrial structures in different degrees. Some countries are reforming their domestic political systems. Many countries have a tendency to democratization in the domestic political sphere. At the same time, many countries are adjusting their foreign relations. They pursue multidimensional or all-around foreign policies in order to seek a peaceful international environment

beneficial to domestic development. They also emphasize the development of diversified foreign economic relations and pursue more open policies.

#### Profound Changes [subhead]

The reason for these current interlinking trends is the profound changes in the 40-odd years after the end of World War II.

1. The United States and USSR, which have great influence in international affairs, have been declining in power and status since the end of the war. They have been expanding their armed forces, but in turn their own power has weakened. The successive defeats in wars of intervention in places such as Korea, Vietnam and Afghanistan sped up the decline of their influence. The scope of their arms and foreign expansion exceeded their abilities. Therefore, they cannot but adjust their policies and planning, and have started or are preparing for strategic adjustments.

In the late 1960s and early 1970s, the USSR had, on the whole, achieved military balance with the United States. Afterwards, the USSR took advantage of the U.S. decline and contraction to carry out a "global offensive strategy." It launched offensives in the Third World, however its own domestic economic growth was actually declining. In the early 1980s, the USSR, bearing the heavy burden of a foreign expansion it was unable to support, found itself isolated in the world. Also, problems such as domestic economic stagnation and backwardness in science and technology were becoming so serious that the USSR came to "the brink of a crisis." After his rise to power, Gorbachev gained a fresh understanding of the world and the USSR, summed up the lessons from historical experience, and proposed the "new thinking."

After its peak in the early post-war period, especially after the Vietnam War, the United States gradually declined from its status as a world hegemony. It carried out partial contraction in the 1970s. Since the beginning of the Reagan administration in the 1980s, the United States has entered a period of the restoration of national power. Its military power has been strengthened, bringing about enormous budget and trade deficits, and turning the United States from the largest creditor nation into the largest debtor nation. The United States faces great challenges from countries like Japan in the economic, scientific and technological fields. In the United States, there are wide-ranging discussions about future strategies. People are considering the implementation of adjustments in order to seek countermeasures when facing challenges.

2. The development trend of world multipolarization is becoming more obvious. In the post-war period, the world formed into a U.S.-Soviet bipolar system. However, with the rise of Third World countries, the recovery and development of countries in Western European and

Japan, and the growing tendency of internal independence in the U.S. and USSR's large military blocs, the development trend of world multipolarization was promoted. Economically, the world is now formed into a multipolar system. In the West, there are three economic centers comprising of the United States, Japan and Western Europe; there is also the USSR and Eastern Europe; and in the Asian Pacific Region, new economic centers are emerging. Politically, the world is gradually forming into multipolar forces. Though militarily it is basically divided into U.S.-Soviet poles, the role played by military forces in world affairs is declining. In recent years, the military power of the United States and the USSR has strengthened, but their influence in the world has weakened.

The development of multipolarization has on the one hand led to more boycotts and resistance against the United States and the Soviet Union, making it inevitable for them to have to adjust their policies; and on the other hand it has given more advantages to the development of independent forces in other countries, so that these countries can have more room to maneuver in their adjustment policies.

Both the development of world multipolarization and the decline in status of the United States and USSR are the results of the imbalance in the world's economic and political development. The replacement of the bipolar system by a multipolar one is an inexorable trend in our historical development. The present situation is: The bipolar system is declining, but the two countries' influence on the development of the international situation is still significant. Multipolarization is developing, but not to the extent that the function of the bipolar system can be eliminated. It cannot affect the development of the international situation. Therefore, we can say that this is now a period of change or transformation.

3. In face of the 21st century, the world is engaging in overall competition. This is a competition of overall national power driven by a new technological revolution, and focusing on the economy, science and technology, in the aspects of the military, politics, education, and so on.

This new technological revolution has far-reaching significance for future world development. The new technological revolution and a new world industrial revolution arising therefrom will largely improve labor productivity, and in turn lead to another great leap in social productive forces, and greatly change the social production methods and industrial structures. It is generally believed that in the next 10 or 20 years, there will be a further significant breakthrough in the aspects of certain newly developed technology, which may become an enormous productive force promoting all aspects of rapid development by the end of this century and in the early 21st century.

Looking at the new technological revolution, and factors in such aspects as world economic development and changes in weapons arising therefrom, the existing world competition will result in a further imbalance in the world's economic and political development; this may lead to significant changes in the balance of world power in the early 21st century. If we look at it this way, the world is at a critical brewing and transforming stage.

Therefore, the United States, USSR, Japan, Western Europe and some Third World countries are formulating and thoroughly implementing development strategies for the 21st century. In this overall world competition, especially under the influence of all aspects of changes brought about by the new technological revolution, the originally uncoordinated systems, policies and concepts of all countries can be constantly adjusted and reformed.

#### Future Development [subhead]

On the whole, the post-war period marked by bipolar military confrontation has come to an end. The world has entered a period of transformation.

The detente in U.S.-Soviet relations and the relaxation and elimination of certain hot-spot conflicts, will promote detente in East-West relations and in the whole international situation. World multipolarization will be developed further. Independent forces such as the Third World, Western and Eastern Europe will be strengthened further; the influence of the United States and USSR on world affairs will be weakened. All countries in the world will pay more attention to economic, scientific and technological development in the competition of overall national power. The tendency to internationalize economic, scientific and technological development will become stronger. This will lower the degree of international military confrontation, and impel the peaceful settlement of international disputes. This period of relative world detente may continue for a rather long time.

At the same time, we should know that there will be confrontation, competition and unstable factors in the future development of the international situation.

1. The United States and USSR will continue to be opposing powers. Other than the contradiction of their ideologies and social systems, they also have the contradiction of global strategic interests. Both countries are adjusting their policies, and have begun or are preparing to adjust their strategies. But their respective basic strategic aims have not been changed. The decline of the United States is an overall trend that can hardly be reversed. However, the United States has its strong points and potentials. Its decline will not be as sharp as Great Britain's historic decline. The present U.S. situation is, comparatively speaking, better than the USSR's. The U.S. Government after Reagan will continue to thoroughly implement the strategy of regaining overall superiority in the 21st century. To acquire overall superiority in overall national power includes the recapture

of military superiority over the USSR, and the preservation of scientific, technological and economic superiority over western countries and even the whole world. The strategic aim of the USSR is, first of all, to maintain a balance of power with the United States—the "balance of interests" emphasized in Soviet "new thinking." Even though the United States and USSR are putting much effort into developing their economies, science and technology, the arms race is still an important area in which the two countries compete for superiority. At a time during which they are holding talks on the reduction of certain nuclear and conventional weapons, they are continuing to develop space weapons, new types of nuclear weapons and hi-tech conventional weapons. Both countries adopt a dual policy against world multipolarization. On the one hand, they are trying their best to maintain their connections with their allies and positions; penetrate into each other's allies and positions; and develop multidimensional diplomacy with other countries. On the other hand, the United States and USSR are trying to maintain the bipolar system, and join hands to resist multipolarization.

2. The world will still be full of contradictions. Under the new conditions, some of the original contradictions will be eased but not eliminated. Some contradictions may become prominent, and new contradictions may arise. The new detente period in U.S.-Soviet relations is closely related to the existing Soviet reforms. In future, the reform progress of the USSR and Eastern Europe, the progress of relations between the USSR and Eastern Europe, and the corresponding countermeasures of the United States and the West, will all affect the progress of U.S.-Soviet relations and relations between the USSR and Western countries. As to certain hot-spots in the Third World, conflicts may continue if outside factors are eliminated without eliminating local contradictions. Besides, new contradictions and conflicts may still arise in Third World countries in the future. Some countries may suffer internal chaos. Both the United States and the USSR will continue to intervene during such chaos. However, the scale and effects of future conflicts in Third World countries may be restrained by factors such as the overall international situation and the strengthening of regional discussion and cooperation among Third World countries.

3. At a time when the degree of world military confrontation is decreasing, economic, scientific and technological competition will become more intense. When economic internationalization is intensifying, and western countries are organizing constant consultation and coordination, the United States, Japan and Western Europe are organizing or strengthening their own economic blocs. This will intensify the competition. The economic, scientific and technological differences between the South and the North are widening further, as are differences between southern and northern countries. The intensification of the North-South contradictions will affect not only the entire world economic situation, but also the political situation, and become a major factor in world turbulence.

## United States & Canada

### CPPCC's Yan Mingfu Fetes U.S. Visitors *OW2610085588 Beijing XINHUA in English* 1302 GMT 25 Oct 88

[Text] Beijing, October 25 (XINHUA)—Yan Mingfu, vice-chairman of the Chinese People's Political Consultative Conference National Committee, met with and gave a dinner for Christopher F. Houseman, former mayor of Monterey Park of the United States, and his party at the Great Hall of the People here tonight.

Houseman is here mainly to discuss possibilities of setting up friendly ties between China's Quanzhou (Fujian Province) and Monterey Park. He will also exchange views with Chinese leaders of relevant departments on China's reforms.

The U.S. visitors arrived in China on October 19. They will tour a number of Chinese cities before leaving for home on November 20.

### U.S. Ambassador Meets With Liaoning Officials *SK2710112088 Shenyang Liaoning Provincial Service* in Mandarin 1030 GMT 25 Oct 88

[Text] On the evening of 25 October, Governor Li Changchun and Vice Governor Zhu Jiazheng met with Mr Winston Lord, U.S. ambassador to China.

Governor Li was asked to introduce Liaoning Province's economic situation; the province's measures for improving the economic environment, rectifying the economic order, and controlling inflation; and [words indistinct] concerning opening Liaodong peninsula to the outside world.

After the meeting, Vice Governor [name indistinct] gave a banquet in honor of the guests. Also present at the meeting and banquet were Li Xishun, director of the provincial Foreign Affairs Office, and C. Eugene Dorris, consul general of the U.S. Consulate in Shenyang.

On the afternoon of 26 October, Ambassador Lord also successively called on Zhang Tiejun and Tang Hongguang, vice chairmen of the provincial People's Congress Standing Committee; and Shenyang Mayor Wu Disheng.

### Wang Shoudao, Visiting U.S. Scholars Meet *OW2610085988 Beijing XINHUA in English* 1330 GMT 25 Oct 88

[Text] Beijing, October 25 (XINHUA)—Wang Shoudao, president of the China Association for International Friendly Contact, met here this evening Burton Pine, vice-president of the Heritage Foundation of the United States, and Roger Brooks, director of the Asia Studies Center of the foundation.

The scholars are here for academic exchanges with their Chinese colleagues. They are also scheduled to visit Shanghai and other Chinese cities.

**Sino-U.S. Computer Company Starts Business**  
*HK2610150788 Beijing CEI Database in English*  
*25 Oct 88*

[Text] Beijing (CEI)—The Intel Computer Technology Ltd (ICT), a Sino-American joint venture, started its business in Beijing on October 21.

The company is jointly invested in by the China Aeronautic Scientific Technology Company, the Intel Corporation in the United States and the Novel Precision Machinery Co Ltd in Hong Kong.

The new company will use the advanced technology from the Intel Corporation to develop and manufacture various kinds of micro computer systems. The Intel Corporation will transfer its manufacturing, testing and maintenance technology to the ICT, allow it to use the trademark "Intel" and provide computer elements at favorable prices.

The ICT plans to produce 300 to 500 sets of micro computer systems every year for domestic and foreign customers, and undertakes software and hardware development projects entrusted by customers.

Micro computer systems produced by the ICT are widely used in aviation, space, electronics, posts and telecommunications, metallurgical and power industries.

**Soviet Union**

**Railway Extends to China-USSR Border**  
*HK2510114988 Beijing RENMIN RIBAO*  
*in Chinese 18 Oct 88 p 2*

[Report by Wang Chengping (3769 6134 1627): "Northern Xinjiang Railway Extends to Sino-Soviet Border"]

[Text] A steel silk road linking Eurasia—the northern Xinjiang Railway—is extending to the Ala Shankou, where the Chinese and the Soviet railways meet. The members of the railway construction staff and workers of the 15th engineering bureau of the railways ministry, the number one regiment of the railway engineering bureau of Xinjiang Uygur Autonomous Region, a PLA department stationed in Xinjiang, and so on are working selflessly night and day.

The railway connecting Urumqi and Usu, which is under the first phase of the construction of the northern Xinjiang railway, has started operating. Stations with strong folk-construction characteristics are built along the railway line. The construction of the second phase of the construction project, which is to build a railway

connecting Usu and Ala Shankou, was officially started on 1 May this year. It is planned that the railway will connect with the Soviet railway in 1990.

**Talks With Soviets on Power Stations Planned**  
*HK2710024388 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 26 Oct 88*

[Text] Guangzhou City Vice Mayor Lei Yu said in a dialogue today with some foreign businessmen from Hong Kong and Macao investing in enterprises in the city: The current work of improving the economic environment and rectifying the economic order will not affect the interests of foreign investors. The city government will abide by the contracts already signed and will, as always, provide and create an excellent environment for investors.

Lei Yu also revealed that in light of Guangzhou's current energy and transport problems, the city will hold talks with the Soviet Union on building two power stations each with installed capacity of 300,000 kilowatts. Construction is planned to take 5 years.

Lei Yu expressed the hope that foreign businessmen will increase investment in the construction of energy, transport, and light and textile industry raw materials projects.

**Soviet Political Structural Reform Viewed**  
*HK2710134488 Beijing RENMIN RIBAO*  
*in Chinese 26 Oct 88 p 6*

[“Roundup” by Fang Rongxuan (2455 2837 5503): “New Development in the Reform of the Political Structure in the Soviet Union”]

[Text] The CPSU 19th National Conference of Party Delegates held in late June of this year conducted heated discussions on the reform of the political structure, and adopted corresponding resolutions. This has stepped up the pace of reform. Three months later when he was on an inspection tour of Siberia, Gorbachev stressed that, the reform has arrived at a very important phase. At the plenary session of the CPSU Central Committee and the extraordinary session of the Supreme Soviet of the USSR held respectively on 30 September and 1 October, important reshuffles were swiftly made: Gorbachev was elected president of the Presidium of the Supreme Soviet of the USSR, along with five people being removed from important posts, while another five were promoted to the Central Politburo or Secretariat of the CPSU Central Committee. Some reshuffling was also made in the government. The Soviet press believed that a politburo with its members being younger in average age and richer in the spirit of reform has come into being as a result of the current major reshuffle. This has provided an organizational guarantee for pushing forward political reform as well as economic reform in the USSR. It

was also an important measure to implement the principle of reform set by the CPSU 19th National Conference of Party Delegates, and would have far-reaching effects on the Soviet domestic and foreign policies from now on.

Based on the principle of the separation of the party and the government set in the resolution of the CPSU 19th National Conference of Party Delegates, the CPSU central organs will stop their direct intervention with specific affairs of the government, while performing political functions only. Moreover, the Central Committee organs will be cut to half their original size. On such grounds, the CPSU Central Committee has newly founded 6 commissions, thus merging the original 20 departments into 7 commissions. This has unified various inner party leading organs, which have been too minute in work division, and is unfavorable to overcoming bureaucratism. Organs of all Soviet socialist republics will also be cut by around one-third at the regional level. This will enable party organizations to get rid of routine administrative affairs and play a better role in drawing up principles and policies.

The re-election of grass-roots party cells throughout the USSR is underway. In the first nationwide re-election of 30,000 party cells in factories, rural areas, and schools; one-third of the new grass-roots leadership have been produced through secret ballot elections where candidates exceeded the number of seat. In Siberia alone, over 40 percent of the grass-roots leading members have been reshuffled.

The USSR has recently made public the draft of the revised Constitution as well as the draft of the Soviet Law of Election of People's Delegates, to lay down the legal basis for the political structural reform in the USSR.

According to Soviet press reports, in the 3 years since Gorbachev took office, some initial accomplishments have been made in the reform: The downturn trend in economic development has been stopped; the reshuffle has been conducted in two-thirds of the leading posts at central, regional, city, and district levels, with newborn forces supplementing; the principle of reform as proposed by Gorbachev has won inner-party support, the extensive support of the intelligentsia in particular. The current resuffle at the central level will once again push forward the reform. As is universally acknowledged, the reform in the USSR has also met with strong resistance. Not long ago, a signed letter carried in "SOVETSKAYA ROSSIYA" attacked the reform by innuendo, centering around historical reassessment. The letter criticized the application of the market mechanism as well as Gorbachev's concepts in "Perestroyka, New Thinking for Our Country and the World" in great length. In his recent talk with the leading members of the Soviet press and writers circles, Gorbachev pointed out, "the antagonism between the old and the new has added a complicated factor to the reform," and the practice of some people "attributing all past mistakes to the reform" should not

be tolerated; the reform should be "pushed forward by people who are full of vitality and vigor." Soviet public opinion believes that with the ups and downs in the course of the reform, the contention between the two forces with different attitudes toward the reform will continue.

**Soviets Prepare for First Space Shuttle Launch**  
*OW2710035888 Beijing XINHUA in English*  
*1839 GMT 23 Oct 88*

[Text] Moscow, October 23 (XINHUA)—The preparation for a test launch of a Soviet space shuttle is being finalized at Baikonur Cosmodrome in Kazakhstan, the official news agency TASS reported today.

According to TASS, the Soviet orbital re-usable space-craft (space shuttle) will be launched by a new powerful booster rocket.

"The on-board systems and equipment of the booster rocket and the orbiter are being checked now in accordance with the preparation schedule," TASS said.

A senior Soviet official responsible for the country's space research department said last month that the Soviet first space shuttle will be launched within this year.

**Northeast Asia**

**DPRK Vice-Premier Leaves for China**  
*OW2610145888 Beijing XINHUA in English*  
*1440 GMT 26 Oct 88*

[Text] Pyongyang, October 26 (XINHUA)—The Democratic People's Republic of Korea (DPRK) Vice Premier Kim Yong-nam left here today for China, Thailand and Nepal.

At the airport, Kim said he had many old friends in China and DPRK enjoys good relations with Thailand and Nepal.

Kim will first stop one day in Beijing and then fly to Thailand to start his goodwill visit, Korean officials said.

**Banquet at DPRK Consulate Marks Korean War**  
*SK27101138\*\* Shenyang Liaoning Provincial Service*  
*in Mandarin 2300 GMT 24 Oct 88*

[Text] The DPRK Consul General stationed in Shenyang held a banquet on 24 October to mark the 38th anniversary of the participation in the Korean War by the Chinese People's Volunteers.

Present at the banquet were Zhu Jiazen, vice governor of the province; Zhang Tiejun, director of the provincial People's Association for Friendship With Foreign Countries; Yu Jingqing, director of the provincial Sino-Korean Friendship Association; Ren Dianxi, vice mayor of

Shenyang City; Major General Bai Wenzhong, deputy director of the Political Department of the Shenyang Military Region; and responsible persons of pertinent departments under the provincial and the Shenyang City foreign affairs offices.

Consul General Yu Man-pok and Director (Yu Jingqing) spoke at the banquet. In their speeches, they spoke highly of the militant friendship cemented with the blood of Chinese and Korean peoples.

**Curbs To Be Lifted on Foreign Joint Ventures**  
*OW2410141388 Tokyo KYODO in English 1333 GMT  
24 Oct 88*

[Text] Shanghai, Oct. 24 KYODO—China is considering scrapping limitations on the period of time during which foreign firms are allowed to run joint ventures with Chinese concerns in order to solicit more foreign investment, the head of a visiting Japanese investment mission said Monday.

Kisaburo Ikeura, chairman of the Industrial Bank of Japan, told reporters here that the Chinese Government expressed its intention of revising a law imposing restrictions on the period for operating joint ventures in China.

The present law allows foreign enterprises to run joint ventures with Chinese interests for a period of 10 to 30 years.

If a foreign firm decides to conduct large capital spending exceeding a certain limit for its joint venture, the venture would be permitted to operate for up to 50 years.

Ikeura said, "I sensed the enthusiasm with which the Chinese side is trying to improve investment conditions (for foreign corporations), although the present situation cannot be described as a sufficient one."

China is also considering giving foreigners greater management authority over their joint ventures by permitting them to be appointed as the heads of such ventures, Ikeura quoted Chinese trade officials as saying.

The present Chinese law governing the corporate structures of foreign joint ventures calls for naming such corporate heads from among the Chinese.

The Chinese Government is also considering halving the screening period to 45 days for the applications by foreign firms to set up joint ventures in China, he said.

**Former Japanese Prisoners Honor War Dead**  
*OW2610050988 Beijing XINHUA in English  
1100 GMT 25 Oct 88*

[Text] Shenyang, October 25 (XINHUA)—Former Japanese prisoners of war have erected a monument commemorating Chinese victims who died during the Japanese occupation of China in the Fushun prisoner of war detention center in Liaoning Province.

The 5.37-meter-high, 1-meter-wide marble monument was unveiled last Saturday. After the unveiling, 19 members from Japan's Liaison Council for Repatriates from China paid a silent tribute to the war dead.

The center is also where China's last emperor, Pu Yi, was detained. His life here has been portrayed in Italian director Bernardo Bertolucci's film "The Last Emperor".

The liaison council, an anti-war organization formed by former Japanese prisoners of war in China, was founded in 1956 to help safeguard world peace and promote Japanese-Chinese friendship. The council now has more than 600 members.

During the Japanese occupation of China between 1931 and 1945, at least one million Chinese people died. The inscription on the monument says, "We have committed monstrous crimes of setting fires, killing, and looting."

In July 1950, 982 Japanese prisoners of war were confined in the Fushun detention center. In June 1956, a special Chinese military court decided to release nearly 900 of the prisoners. A few of the "major criminals" were sentenced to further terms in prison.

"We had never imagined that we would eventually all be released and sent back to Japan. We expected to be put to death," the ex-prisoners said. The last Japanese prisoners were released in 1964.

"China's leniency turned the prisoners from war criminals into fighters for peace," said a detention center official.

The former Japanese prisoners of war in China launched a journal in the 1980s to expose "crimes of Japanese militarism" from which the liaison council earned 16 million Japanese yen, according to Shozo Tominaga, the council's president.

One million yen of the money was used to pay for the monument in Fushun as a way to express their hatred of the war, said Shozo Tominaga, who also headed the delegation.

After the unveiling ceremony, members of the delegation visited the center.

In addition to Japanese prisoners, the center also detained Kuomintang and "Manchukuo" prisoners of war all of whom were released before 1975.

The center is now a museum. Two exhibition halls, one on the Japanese prisoners of war and the other on Pu Yi have been opened. About 8,000 foreign tourists and more than 70,000 Chinese visitors have been to the museum since it opened in October 1987.

**Former Japanese Prime Minister Fukuda Interviewed**  
*OW2510144288 Beijing XINHUA Domestic Service  
in Chinese 0842 GMT 21 Oct 88*

"Turn a 'Suspension Bridge' Into an 'Iron Bridge'—Interview With Former Prime Minister Fukuda on the Eve of the 10th Anniversary of the Sino-Japanese Peace and Friendship Treaty," by XINHUA reporters Li Ronggen and Wang Taijun]

[Text] Tokyo, 20 Oct (XINHUA)—"On the day of the 10th anniversary of the Japan-China Peace and Friendship Treaty, I will be in Tokyo, looking up at the blue sky, wishing China success in its reform and wishing for new developments in Japan-China friendship and cooperation."

Fukuda Takeo, former Japanese prime minister, made these remarks to XINHUA reporters at his office in Akasaka, Tokyo, this afternoon. The 83-year-old statesman was radiant with excitement when he talked.

As Japanese prime minister 10 years ago, Mr Fukuda sent the late Foreign Minister Sonoda Nao to Beijing on 12 August 1978 to conclude the Japan-China Peace and Friendship Treaty with the Chinese Government. On 23 October that year, Mr Fukuda and Deng Xiaoping, then vice premier and visiting Japan, exchanged the treaty ratification documents. The important treaty took effect from then.

The former prime minister talked about the past with feeling. He said: "For some time after the war, Japan-China relations were in an abnormal state. Prime Minister Tanaka Kakuei's 1972 visit to China resulted in normalization of diplomatic relations and produced a joint statement. This was certainly a great event. However, I still felt that as far as bilateral relations are concerned, that event only served as a "suspension bridge" that allowed mutual visits. In order to further promote exchanges between the two countries in all fields, it was imperative to turn the "suspension bridge" into an invincible "iron bridge" capable of handling huge traffic flows and heavy loads at all times. Thanks to full preparations by both sides, the moment was finally ripe and this project was translated into action."

Mr Fukuda said smilingly: "Facts in the past 10 years showed that we had done the right thing. During this period, Japan and China made great progress in

exchanges and cooperation in politics, economy, culture, science and technology, and other fields. Meanwhile, under the leadership of Deng Xiaoping, China carried out reform in order to accomplish modernization, and achieved successes that attracted the attention of the whole world. I think that by the 21st century, China will become a powerful pillar of the world."

Looking ahead into the future of Japan-China relations, Fukuda said: "Japan and China need each other. Making reform to accomplish the four modernizations is China's biggest political task. Japan can provide cooperation in terms of funds and technology. The two governments should make common efforts to create an environment for better cooperation."

Although Mr Fukuda will soon turn 88, he is still in good spirits and has a sharp mind. He looks much younger than he is. When we asked for his views about the international situation and the course Japan will follow in the future, he continued to speak with fervor and assurance.

Fukuda said: The world situation is undergoing tremendous changes. Postwar political structure of the world had always been East-West confrontation. The encouraging thing now is that both the United States and the Soviet Union have begun to reflect on their own deeds up till now. We can say that all countries in the world are making reflections.

Fukuda stressed: "Under these circumstances, I wish to reaffirm the views I put forward in Manila when I was Japanese prime minister: 1) Japan should not become a military power; 2) Japan should provide the funds it has conserved to countries in need of funds so as to promote mutual understanding and friendship; and 3) All countries of the world should establish friendship and cooperative relations despite differences in their political systems.

When reporters noted that this was what Japan called the "Fukuda Doctrine" in those years, the statesman smiled. Judging from today's situation, we can see the keen insight of Mr Fukuda's views.

**Li Xiannian Welcomes Japanese Delegation**  
*OW2610081188 Beijing XINHUA in English  
0656 GMT 24 Oct 88*

[Text] Beijing, October 24 (XINHUA)—Li Xiannian, chairman of the National Committee of the Chinese People's Political Consultative Conference, met here today with a Japanese delegation of the Tokyo Sagawa Express Conveyance Co., Ltd. led by its President Hiroyasu Watanabe.

The delegation arrived in China yesterday at the invitation of the Chinese People's Association for Friendship With Foreign Countries. Starting from 1985, the company has sent China 1,310 trucks now being used all over the country.

At the meeting, Li expressed thanks for the trucks and welcomed the Japanese guests who are visiting China at the time of the 10th anniversary of the conclusion of the Sino-Japanese Treaty of Peace and Friendship.

The two sides reviewed the development of the Sino-Japanese relations.

Present at the meeting was Sun Pinghua, president of the China-Japan Friendship Association.

**Yan Jici Meets Japanese Agricultural Visitors**  
*OW2310112888 Beijing XINHUA in English*  
*1212 GMT 22 Oct 88*

[Text] Beijing, October 22 (XINHUA)—Yan Jici, vice-chairman of the Chinese National People's Congress Standing Committee, met with a delegation from the Japan-China Agriculture, Forestry and Fisheries Exchange Association led by President Tadashi Yaita and Vice-President Tsunetoshi Tanaka, at the Great Hall of the People here today.

**NPC Official, Japanese Auto Delegation Meet**  
*OW2310113188 Beijing XINHUA in English*  
*1210 GMT 22 Oct 88*

[Text] Beijing, October 22 (XINHUA)—Chen Muhua, vice-chairwoman of the Standing Committee of the Chinese National People's Congress, met a delegation of Japan's Toyota Company led by its Executive Managing Director Masaharu Tanaka here today.

Chen said she hoped economic and technological cooperation between the Toyota Company and China's relevant departments will keep growing.

**Official on Need for More Toyota Investment**  
*OW2510012988 Beijing XINHUA in English*  
*1631 GMT 24 Oct 88*

[Text] Beijing, October 24 (XINHUA)—A senior official from China's foreign trade circle said tonight that he hopes Japan's Toyota Motor Corporation will "lose no time" in further strengthening its investment and transfer of technology to China.

Zheng Hongye, vice president of China's Council for the Promotion of International Trade, said at a reception given by a visiting Toyota delegation that economic and trade relations between Toyota and China have developed considerably since the normalization of ties between two countries.

He added that Toyota has exported about 180,000 cars and trucks to China, opened a drivers' school in Beijing and service training centers in Beijing and Guangzhou, and built 18 service stations across the country.

Zheng said he was grateful for the announcement that Toyota will soon set up another school, for mechanics, in China.

During its visit to China, the Toyota delegation exchanged views with Chinese departments on the further expansion of economic and trade ties with China, as well as the strengthening of cooperation in technology and investment.

**Kang Keqing, Japanese Visitors Exchange Views**  
*OW2610023388 Beijing XINHUA in English*  
*0732 GMT 25 Oct 88*

[Text] Beijing, October 25 (XINHUA)—Kang Keqing, vice chairman of the National Committee of the Chinese People's Political Consultative Conference and chairman of the Soong Ching Ling Foundation, met here today Tokuma Utsunomiya, president of the Soong Ching Ling Foundation in Japan, and his party.

The foundation was established in memory of late Chinese Honorary President Soong Ching Ling who dedicated her life chiefly to the Chinese children.

Kang and Utsunomiya exchanged views on how to promote the cause of children in China.

The Japanese visitors are here as guests of the China-Japan Friendship Association.

**Li Ruihuan Attends Sino-Japanese Fashion Show**  
*SK2710112688 Tianjin City Service in Mandarin*  
*2300 GMT 26 Oct 88*

[Excerpts] On the evening of 26 October, Mayor Li Ruihuan viewed the Sino-Japanese fashion show marking the 15th anniversary of the establishment of friendly ties between Tianjin and Kobe.

The high-fashion dresses designed by the Tianjin Fashion Research Institute won the acclaim of Japanese specialists.

On the evening of 26 October, the Tianjin fashion show team and some Japanese fashion models gave a performance on the same stage. [passage omitted]

While talking with Mayor Li Ruihuan, Madam Komo, head of the Japanese fashion group visiting China, who has engaged in the fashion trade for more than 40 years, considered this fashion show very successful. [passage omitted]

**Joint Weekly With Taiwan Published on Mainland  
OW2410085288 Beijing in Mandarin to Taiwan  
0400 GMT 20 Oct 88**

[Text] The GANGTAI XINXI BAO [HONG KONG-TAIWAN INFORMATION NEWSPAPER], a newspaper aimed at reporting the latest news about Hong Kong, Taiwan, and the world in a timely manner, will start publication in November in Fuzhou and be available to readers at home and abroad. The newspaper will have resident correspondents in Hong Kong, and special overseas correspondents in various localities. Every day the newspaper will carefully select and compile news items from Hong Kong transmitted by facsimile, those from Taiwan gathered through Taiwan's mass media or non-governmental channels, and those from foreign press and Chinese diplomatic personnel stationed overseas.

The newspaper will provide some guidance to Fujian in its efforts to develop export-oriented economy. At the same time, it will serve to introduce beautiful scenes and different customs around the world, foreign movies and TV programs, foreign literature, and news of other societies. The newspaper will be published weekly. It welcomes residents of Hong Kong, Macao, and Taiwan and Overseas Chinese to provide information or contribute articles.

### Southeast Asia & Pacific

**XINHUA 'Commentary' on Cambodian Solution  
OW2710095588 Beijing XINHUA in English  
0917 GMT 27 Oct 88**

[“Commentary: Why No Progress in Settling Kampuchean Issue?”—XINHUA headline]

[Text] Hanoi, October 27 (XINHUA)—The recent working conference in Jakarta to settle the Kampuchean issue came to no result.

For the last few days, Vietnam has fiercely blamed some ASEAN (Association of Southeast Asia Nations) members, especially Thailand, for their efforts in solving the Kampuchean problem.

Diplomatic analysts, having studied the new “five-point proposal” that Vietnam offered on October 17 in Jakarta, say that although Vietnam expressed the “hope for an early settlement of the Kampuchean issue” under pressure from the outside world and its own serious internal situation, in deeds it still maintained a rigid stand.

The Vietnamese authorities are insincere in their search for a fair solution to the Kampuchean issue in at least three ways:

First, Vietnam refuses an unconditional withdrawal of its forces from Kampuchea. Instead, it offers a timetable for a three-phased withdrawal and three-phased halt of outside interference in and assistance to Kampuchea.

However, Vietnam has not announced the time frame for pulling out the troops. It linked the withdrawal of its invading troops to an end of outside aid to the resistance forces. This is unjustifiable.

The so-called “outside interference” comes from Vietnam itself, not others. Therefore, international assistance to the resistance forces will naturally end when Vietnam ends its invasion of Kampuchea, abolishes its “strategic alliance” with the Heng Samrin regime, gives up control over Kampuchea and really restores peace, independence, neutrality and nonalignment of the country.

What merits attention is that Vietnam has quickened the pace of its efforts to strengthen Heng Samrin’s forces by creating excuses to delay its military withdrawal. According to estimates by diplomats in Hanoi, including some from Vietnam’s allies, the Heng Samrin regime has more than 80,000 regular army troops and more than 100,000 militiamen.

Vietnam’s purpose is to restrict, weaken and even wipe out the resistance forces. It hopes to make Heng Samrin’s forces the strongest in Kampuchea.

Secondly, Vietnam took advantage of the refugee camps along the Kampuchea-Thailand borders. It never mentioned the expatriation of large numbers of illegal immigrants to Kampuchea, but demanded that the refugee camps be moved away from the border areas.

Tens of thousands of Kampucheans left their homes for Thailand due to the Vietnamese invasion of their nation. This brought a heavy burden to Thailand and the international community. So when the war in Kampuchea ends, the refugees have the right to return to their own country and rebuild their homes. How can they be driven to foreign nations further away?

Diplomats in Hanoi believe that the number of Vietnamese immigrants in Kampuchea is between 800,000 and one million. Most of them illegally entered Kampuchea since the Vietnamese invasion in 1978. As a result, Kampuchea, a small country with a population of only 7 million, faces the danger of “being Vietnamized.”

Thirdly, Vietnam is still opposed to setting up a coalition government with Samdech Norodom Sihanouk as the head. It prefers to try to legalize the Heng Samrin regime. The Vietnamese suggest that the activities of the international supervisory committee must be reported to the “Kampuchean state” and obtain its permission. Since Vietnam refuses the idea of establishing a coalition government headed by Sihanouk, its so-called “Kampuchean state” obviously refers to the Heng Samrin regime.

Diplomatic observers in general show great concern about the second meeting between Sihanouk and Hun Sen, "prime minister" of the Heng Samrin regime scheduled for early-November in Paris. Some analysts say that Vietnam is carrying out a tactic of splitting the resistance forces by excluding the Khmer Rouge, playing down Son Sann and currying favor with Sihanouk.

But even some personages from East European countries believe that Vietnam and the Heng Samrin regime only want Sihanouk's international influence with no intention of giving him real power.

Most observers here think that Vietnam's purpose is to find a way out of its dilemma by settling the Kampuchean problem and still maintain control over Kampuchea.

This policy contradiction cannot bring Vietnam out of its present serious situation.

**National Army in Cambodia Reports Statistics**  
*OW2710080088 Beijing XINHUA in English*  
*1316 GMT 24 Oct 88*

[Text] Beijing, October 24 (XINHUA)—The National Army of Democratic Kampuchea killed and wounded 14,129 Vietnamese soldiers during the monsoon season (May to September 1988), Radio Democratic Kampuchea said today in a combat bulletin.

The bulletin, signed by Son Sen, commander-in-chief of the National Armed Forces, said that the Army also disabled 8,600 more Vietnamese soldiers in the past five months.

The National Army seized 170 strongholds from the Vietnamese soldiers and defeated their 156 attacks and destroyed 31 tanks or other armoured vehicles, 38 heavy guns, 205 motor vehicles and five locomotives. They once even made a surprise attack on Battambang Airport, the radio said.

Meanwhile, the National Army disintegrated 136 village governments and won over 2,775 soldiers and administrative personnel of the Heng Samrin regime.

The bulletin added that with the help of the Kampuchean people, the National Army launched a large-scale offensive, which put the Vietnamese soldiers in a difficult situation. Therefore, Vietnam sent a reinforcement of 16,127 men to Kampuchea in the rainy season.

The radio called on the National Army and all Kampuchean people to strengthen unity and continue to fight the Vietnamese aggressors under the leadership of the Coalition Government of Democratic Kampuchea.

**Near East & South Asia**

**Officials Not Certain About Talks With Dalai**  
*HK2610131488 Beijing ZHONGGUO XINWEN SHE in Chinese 1205 GMT 26 Oct 88*

[Report by Wei Xiang (0251 5046): "The Chinese Government Has Not Officially Learned About the Time and Place for the Talks as Decided by Dalai Lama"—ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 26 Oct (ZHONGGUO XINWEN SHE)—Despite reports by foreign news agencies saying that Dalai Lama has confirmed the time and place for talks with the Chinese Government, officials from both the United Front Work Department of the CPC Central Committee and the State Nationalities Affairs Commission said they have not yet learned about it from any official channel.

The central government declared a couple of days ago that it is willing to hold talks with the Dalai on certain preconditions in any place at any time.

Officials of the United Front Work Department of the CPC Central Committee told this ZHONGGUO XINWEN SHE reporter that they still did not know whether Dalai would accept the basic principles to guide the talks. These principles are as follows: The talks can be held in Beijing, Hong Kong, or any Chinese Embassies or consulates abroad, or any place selected by Dalai Lama if he thinks it is inconvenient to hold talks in all the above places suggested by the Chinese Government; Dalai Lama can participate in person in the talks or appoint some people to represent him, but his party cannot join the talks in the name of Tibetan "government-in-exile;" "independence for Tibet" will not be accepted as a part of the agenda of the talks, and Dalai Lama's "seven-point new offer" will not be accepted as the basis of the talks either; and no foreigners will be allowed to take part in the talks since the Tibetan issue is an internal affair of China.

It is reported that the central government still hopes to keep in touch with the Dalai Lama. But official sources believe that the prospects of the talks would not be too bright if Dalai refused to accept all the preconditions for the talks.

**'Uneasy' Reaction to Proposal**  
*HK2710064588 Hong Kong HONGKONG STANDARD in English 27 Oct 88 p 7*

[By Tammy Tam]

[Text] China feels uneasy about the Dalai Lama's proposal of Geneva as the "most convenient and neutral venue" for direct talks, the STANDARD learned yesterday.

And the Chinese Government also thinks it unacceptable to have a foreign adviser in the Dalai Lama's negotiating team even though a representative of the exiled god-king promises that the "foreigner will not take part in the formal deliberation".

"Geneva, after all, is a foreign place. The Tibetan problem is our own problem and should be solved in China by ourselves. From this aspect, Geneva is of course not the 'most convenient and neutral venue,' informed sources in Beijing said yesterday.

"We hope the Dalai Lama or his representatives can come back to China for talks," the source said.

The Dalai Lama's message was conveyed to the Chinese Embassy in New Delhi on Thursday.

"We have sent the message back to Beijing immediately. But we cannot make any comment on his proposal at this moment," embassy press officer Ms Tang Yeming said.

On September 23, the Chinese Government conveyed a message to the Dalai Lama through its Embassy in New Delhi suggesting direct talks, and leaving the choice of place and time for negotiations to the Dalai Lama.

The possible venues for talks suggested by the Chinese Government in the message are Hong Kong, Beijing and any other embassy or consulate in foreign countries.

It has been China's long-term opinion that talks on Tibetan issues are domestic affairs which should be handled by Chinese only.

But the six-member negotiating team appointed by the Dalai Lama will be accompanied by three assistants, one of whom is a Dutch legal adviser.

A spokesman for the New Delhi office, Mr Migyur Dorje, told the STANDARD earlier that the three assistants would not participate in the negotiations.

The team was appointed by the Dalai Lama in July when the self-exiled god-king decided to talk with the Chinese government.

Mr Ren Yinong, spokesman on Tibetan affairs of the State Nationalities Affairs Commission, said earlier that the Dalai Lama should do something substantial for the talks.

"He has talked a lot on the future negotiations to the press but not to us. It is an irresponsible method if he expresses his opinions to the press but not directly to the Chinese Government," Mr Ren said.

There are two departments in charge of Tibetan affairs at central level—the State Nationalities Affairs Commission under the State Council and the United Front Department under the Central Party Committee.

A Hong Kong Chinese newspaper yesterday reported that director of the United Front Department, Mr Yan Mingfu, would head the Chinese negotiating team.

But a department spokesman, who identified himself as Mr Guo, denied this and said: "Our department has not received any instruction from the central government by now and has not made any decision on the future talks."

Mr Ren Yinong also pointed out that China would not begin to arrange details of the talks and members of the team unless it was officially informed about the Dalai Lama's plan.

"The composition of our team will be decided according to that of the Dalai Lama's team. But we certainly do not recognise his cabinet in exile," Mr Ren said.

**Iranian Envoy Meets Qian Qichen, Returns Home**  
*LD2610103588 Tehran IRNA in English*  
*1003 GMT 26 Oct 88*

[Text] Beijing, Oct 26, IRNA—Chinese Foreign Minister Qian Qichen here Tuesday [25 October] lauded the Islamic Government for having accepted the U.N. Resolution 598 and expressed hope that the forthcoming Iran-Iraq talks in Geneva on October 31 will be a success.

Speaking in a meeting with Iran's visiting deputy foreign minister Mohammad Hoseyn Lavasani he supported Iran's collaboration with the U.N. Chief Javier Perez de Cuellar.

Lavasani stressed Iran maintains that the issue of Arvand River has no place in the talks and that the 1975 Iran-Iraq accord provides for its dredging.

The deputy foreign minister said Iran has not witnessed any realistic peace overtures by Iraq except for the ceasefire and echoed De Cuellar's comment that a ceasefire without withdrawal of forces would entail a dangerous situation.

Lavasani arrived here Sunday and during his two-day visit he also conferred with Chinese prime minister and deputy foreign minister. He returned home Tuesday evening. Lavasani visited Japan before arriving in China.

**Sub-Saharan Africa**

**Yang Shangkun Appoints, Removes Benin Ambassador**  
*OW2710081188 Beijing XINHUA Domestic Service*  
*in Chinese 1147 GMT 26 Oct 88*

[Text] Beijing, 26 Oct (XINHUA)—In accordance with the NPC Standing Committee's decision, President of the PRC Yang Shangkun has made the following appointment and removal of diplomatic envoys:

The appointment of Zhu Yourong [4376 2589 1369] as the PRC ambassador extraordinary and plenipotentiary to the People's Republic of Benin.

The removal of Zhu Xiansong from the post of PRC ambassador extraordinary and plenipotentiary to the People's Republic of Benin.

**Cultural Agreement To Be Implemented With Kenya**  
*OW2610161188 Beijing XINHUA in English*  
*1454 GMT 26 Oct 88*

[Text] Nairobi, October 26 (XINHUA)—Chinese and Kenyan cultural officials agreed here today to take specific steps to implement a culture agreement signed by the two governments in 1980.

During the talks between the visiting Chinese Vice Minister of Culture Gao Zhanxiang and Kenyan Minister for Culture and Social Services P.J. Ngei, the two sides agreed to exchange cultural troupes and art workers in the next two years.

Mr. Gao, who is leading a four-man cultural delegation, arrived here from Uganda on Monday [24 October] for a week-long visit to Kenya at the invitation of the Kenyan Government.

The delegation is on a four-nation African tour. It will also visit Tanzania and Zambia.

**West Europe**

**Qin Jiwei Meets Swedish Military Chief**  
*OW2610143788 Beijing XINHUA in English*  
*1212 GMT 26 Oct 88*

[Text] Beijing, October 26 (XINHUA)—General Qin Jiwei, Chinese State Councillor and defense minister, met here this afternoon General Bengt Gustafsson, commander-in-chief of the Swedish armed forces, and Mrs Gustafsson.

**Newspaper Views 'Resurging British Economy'**  
*HK2710052588 Beijing RENMIN RIBAO*  
*in Chinese 21 Oct 88 p 7*

[Article by Zhang Zhenya (1728 2182 0068): "The Resurging British Economy"]

[Text] In 1980, the London "Guinness Book of World Records" listed the loss of nearly \$4 billion, suffered by the British Steel Corporation in the previous year, as the greatest loss in the world iron and steel industry at that time.

Today, 8 years later, the same corporation has created another record, but this time things are entirely different. After a comparison between various major iron and steel production countries in respect to their per-ton cost in

the first 6 months of this year, the WORLD IRON AND STEEL TRENDS drew the following conclusion: The British Steel Corporation is the most efficient iron and steel enterprise in the world. Its per-ton cost was only \$415, lower than those of the United States, West Germany, France, and Japan. Even South Korea and Brazil, which have the superiority in labor costs, are unable to compete with it.

Britain is the birthplace of the industrial revolution. However, during a rather long period since World War II, it has played the role of an old and declining industrial empire. Its economy has been surpassed by many major western industrial countries. In the 1970's, a period of great difficulty, its average inflation rate reached 15 percent, but its economic growth rate was only 2 percent. At that time, the state-owned British Steel Corporation was suffering serious losses; it was even on the verge of bankruptcy in 1979. But how on earth did it find a miraculous cure in the past few years and turn itself into one of the best companies in the world?

As the saying goes: A stubborn disease cannot be cured without a major surgical operation. The main reason the British Steel Corporation was able to take on an entirely new look is that it underwent a major operation, or a good reorganization. Over the past 8 years, it has reduced its staff by 70 percent. All the surplus workers, obsolete equipment, and surplus managers have been dismissed.

In Britain, not only the British Steel Corporation, but also many other enterprises have resurred from the verge of bankruptcy. For example, the well-known Imperial Chemical Industries Company, Unilever Food Company, the Courtaulds Textile Company, and the American Tiger Automobile Company, have all started to resurge in recent years.

This shows that the British economic situation as a whole has improved greatly. Since 1981, the British economy has been gradually extricated from "stagflation," and a trend of continuous growth at an average rate of 3 percent a year has been maintained, while the inflation rate is dropping sharply. In the western world, Britain's development rate is second only to Japan.

In the final analysis, this change is a result of a series of bold and resolute measures Mrs. Thatcher has adopted since 1979, when she assumed office.

To curb serious inflation, Mrs. Thatcher adopted a tight-monetary policy soon after she assumed office. After that, the most serious economic recession since the war appeared in the country from 1980 to 1981. Industrial production dropped by 15 percent and the number of unemployed workers increased by 1.5 million. But Mrs. Thatcher did not change her original idea. She then made a law to restrict trade union strikes. To enable declining enterprises to regain their competitiveness on

the international market through consolidation and reorganization, the government of Margaret Thatcher lowered the maximum tariff rates several times for wage, investment, and income taxes. Thus, a good environment was created for the development of the British economy. Moreover, the government also adopted a policy of privatization, transferring more than \$31 billion's worth of shares of state-owned companies to individuals. This played an important role in improving enterprise management and alleviating the contradictions between labor and employment.

The improvement of the British economic environment is also expressed by the fact that Britain has become a most attractive country for foreign investors. Direct investments by foreign companies have more than doubled since 1979.

Moreover, Britain ranks first in Europe in the number of newly established enterprises each year. The proportion of its initial capital (or risk capital) in gross domestic product is as high as that of the United States.

But there are still some problems in the British economy. For example, accompanying economic development, some old problems have arisen again, such as the sharp increase in imports; a serious, unfavorable balance in foreign trade; wage increases; and new threats of inflation. Thus, the government could not but raise the interest rate to 12 percent. However, as some recent figures show, the unemployment rate in Britain, which is 8 percent, is already the lowest among West European countries. Moreover, its industrial productivity greatly increased, by 7 percent last year, and company profits were the highest in the past 20 years. As both the domestic and foreign markets are bullish about the British economy, investment in its manufacturing industry is expected to increase by 16 percent this year. All this has laid a sound basis for the long-term development of the British economy.

Before the Conservative Party held its annual meeting, Whitehall repeatedly declared that Britain is no longer the "sick man of Europe," but a member of the industrial world which has achieved the fastest economic development. It seems that these remarks are not "fabrications."

**French Expert on Nuclear Power Industry**  
**HK2610065388 Beijing ZHONGGUO XINWEN**  
**SHE in Chinese 1412 GMT 20 Oct 88**

[Report: "French Nuclear Safety Expert Says That China Is Capable of Building and Properly Running Nuclear Power Stations"—ZHONGGUO XINWEN SHE headline]

[Text] Guangzhou, 20 Oct (ZHONGGUO XINWEN SHE)—Yifumur [0122 1133 4476 1422], Secretary General of the French Nuclear Safety Committee, was interviewed today by ZHONGGUO XINWEN SHE. In the

interview, he said that China has the ability to successfully build and manage nuclear power stations and that cooperation between China and France can guarantee the successful construction of the Daya Bay Nuclear Power Station and its safe operation.

On his current visit to China, Mr Yifumur will talk with the Chinese departments concerned on cooperation with regard to nuclear safety, and he will inspect the construction conditions at the Qinshan Nuclear Power Station in Zhejiang and the Daya Bay Power Station in Shenzhen.

The questions and answers in the interview are as follows:

Question: "The incident at the Chernobyl Nuclear Power Station in the Soviet Union cast a pall of fear over people's minds. Is the building of a nuclear power station really dangerous?"

Answer: "There are radioactive materials in a nuclear power station, but they will not inevitably harm people's health and endanger people's safety. Take a stove as an example. If a person sits on a stove, he will certainly be burned, but nobody really does so. The danger caused by a nuclear power station can be completely prevented. The Chernobyl incident occurred because the power station did not take adequate safety measures."

He also talked about France's experience in guaranteeing nuclear safety: "In France, nuclear power stations adopt 'pressurized water' reactors. At the same time, experts in radiation prevention monitor the condition through sophisticated instruments 24 hours a day to prevent the leakage of radioactive materials. The technology for guaranteeing safety has been improved continuously. Because great importance is attached to safety measures, no incident has occurred in nuclear power stations in France in the past 40 years. The French people do not fear the existence of nuclear power stations."

Question: "What is your assessment of China's ability to manage nuclear power stations?"

Answer: "I think that China has the ability to successfully build and manage nuclear power stations. France has accumulated rich experience, especially in the field of guarding against radiation. So, cooperation between China and France can completely guarantee the successful construction and safe operation of the Daya Bay Nuclear Power Station."

Question: "Will China and France start new cooperation projects in the nuclear power industry in the near future?"

Answer: Yifumur smiled and said: "This must be decided by the Chinese and French governments. Personally, I am willing to cooperate with the Chinese

government, because this is in the common interest of both countries. The degree of utilization of nuclear energy is a sign of a country's progress."

### East Europe

#### Zhang Wenjin Attends CSSR Reception OW2710033288 Beijing XINHUA in English 1303 GMT 26 Oct 88

[Text] Beijing, October 26 (XINHUA)—The 70th anniversary of independence of Czechoslovakia was marked at a reception given here tonight by the Chinese People's Association for Friendship with Foreign Countries (CPAFFC) and the China-Czechoslovak Friendship Association.

CPAFFC President Zhang Wenjin said the Czechoslovak people have built their country into a socialist country with modern industry and agriculture in the past 4 decades under the leadership of Czechoslovak Communist Party.

He described the Sino-Czechoslovak relations as having entered a period of "all-round, continuous and deep-going development."

Earlier today Jiri Soukup, charge d'affaires of the Czechoslovak Embassy, gave a press conference briefing journalists on Czechoslovakia's history and its current situation.

#### New Czechoslovak Premier Adamec Profiled OW2210125988 Beijing XINHUA Domestic Service in Chinese 0833 GMT 12 Oct 88

["Person in the News of Czechoslovakia: Ladislav Adamec"—XINHUA headline]

[Text] Beijing, 12 Oct (XINHUA)—The Czechoslovak CP Central Committee plenary session of 11 October recommended [Ladislav] Adamec to replace [Lubomir] Strougal as Czechoslovak Federal Government premier. Strougal had served as premier for 19 years successively. Adamec, born at Frenstat Pod Radhostem in the State of North Moravia on 10 September 1926, graduated from the Czechoslovak CP's Central Political Academy and a business college. He received an associate doctorate [FU

BO SHI XUE WEI 0479 0590 1102 1331 0143] in economics in 1967. From 1956 to 1958, he served as chairman of the people's committee in his hometown. He was transferred to the Czechoslovak CP Central Committee in 1963 and served successively as the party's minister of machine-building, of the metallurgical industry, the chemical industry, and the national economy. He was elected to the Czechoslovak CP Central Committee in 1966. He took the post of deputy premier in the Czechoslovak Government in January 1969. He replaced Josef Korcak and assumed the post of premier in March 1987. In the meantime he was also elected member of the Czechoslovak CP Central Committee Presidium. When the Czechoslovak Federal Government reshuffled last April, he began serving as deputy premier. Adamec has engaged in economic work for years and advocated reform. He emphatically noted: To achieve reform, we cannot take stopgap measures; we must adopt the revolutionary method, actively overcome shortcomings, boldly propose goals and seriously reach them. Only by doing so can we achieve reform. He has also proposed that in developing the economy, we should develop science, bring the intellectuals' role into full play, and have greater trust politically in and show greater concern for the intellectuals.

### Latin America & Caribbean

#### Xi Zhongxun Meets Brazilian Party Delegation OW2610143488 Beijing XINHUA in English 1257 GMT 26 Oct 88

[Text] Beijing, October 26 (XINHUA)—Xi Zhongxun, vice-chairman of the Chinese National People's Congress Standing Committee, met a delegation of the Liberal Front Party of Brazil here today.

The delegation, the first from the party to visit China, is led by Lucio Alcantara, member of the National Leadership Committee of the party and member of the Chamber of Deputies of Brazil.

During their cordial conversation, Xi spoke highly of the party's contribution to expanding friendship between China and Brazil.

The delegation has toured Shanghai, Guangzhou and Shenzhen before arriving in Beijing.

**Minister Announces New Civil Service System**  
*OW2610152488 Beijing XINHUA in English*  
*1437 GMT 26 Oct 88*

[China's New Civil Service System To Be Legalized—  
XINHUA headline]

[Text] Beijing, October 26 (XINHUA)—China is drawing up new provisional regulations on state civil servants and will submit them for public discussion and examination at an appropriate time, Minister of Personnel Zhao Dongwan announced today.

The draft regulations, consisting of 16 chapters and 84 articles, will define the scope, title, enrollment, examination, rewards, penalties, promotion, demotion, training, and pay of state civil servants.

Addressing the international seminar on China's state civil service system and human resource development, which opened here today, the minister stressed that the establishment and implementation of a civil service system represents "a major reform in China's personnel system with regard to cadres and an important part of the country's political restructuring."

"It constitutes a major step in making the system democratic, scientific and institutionalized", the minister added.

According to Zhao, the present draft regulations are a product of fifteen revisions since their initial formulation in 1984. They include five new regulations on the examination and pay of cadres.

"The purpose of this seminar is to exchange theoretical viewpoints on China's civil service system and human resource development," Zhao said, adding that the two systems have become major topics for scientific study in the field of Chinese personnel management.

Since 1979, China has adopted a series of reforms in personnel management. Many breakthroughs have been made and valuable experience accumulated, Zhao said, "but all this still falls short of the requirements for the furtherance of both economic and political structural reforms."

Therefore, he stressed, a comprehensive, well-coordinated reform of the personnel system relating to cadres must be conducted, so that China can establish a dynamic, vigorous and diversified cadre-personnel system.

China's personnel reforms during the past ten years include the introduction of the principle of making cadres more revolutionary, younger, better educated and more professionally competent, the abolition of life-long tenure in leading posts, the establishment of a retirement system for cadres, the decentralization of personnel management, the adoption by some departments and

institutions of electing cadres or hiring them under contract, and various activities designed to make the best use of talented personnel.

In his opening address, Zhao said that the international seminar will play a positive role in facilitating China's efforts to formulate scientific policies and plans for developing human resources and training qualified personnel.

"The seminar also provides a good opportunity for Chinese and foreign experts to sum up and exchange experiences and academic results achieved by different countries in the field of human resource development," he added.

More than a hundred senior officials, experts and managers from Canada, the Federal Republic of Germany, France, Hungary, Japan, Singapore, Switzerland, the United Kingdom, the United States and Hong Kong are attending the seminar.

**Nationwide Adoption Within 10 Years**  
*OW2610162988 Beijing XINHUA in English*  
*1604 GMT 26 Oct 88*

[State Civil Service System To Be Adopted Nationwide in Ten Years—XINHUA headline]

[Text] Beijing, October 26 (XINHUA)—A state civil service system will be introduced nationwide within ten years, and will be adopted by central and provincial levels of government before 1992.

The announcement of the new system was made by Cheng Lianchang, vice-minister of personnel, at an international seminar on the state civil service system, which opened here today.

The fundamental principles for the introduction of the system have been adopted in line with experience gained in reforming China's personnel management system during the past ten years, Cheng said.

According to Cheng, the framework of the system covers these major aspects:

—Government functionaries entitled to exercise state power and carry out state affairs will be managed in a scientific way according to law;

—Public servants (civil servants) will be divided into political and career personnel. The political civil servants are members of the people's governments at the central and local levels, and can be elected, appointed or dismissed by people's congresses.

All other civil servants will be classed as career civil servants.

Political civil servants will be governed by the Constitution and organic law, while career civil servants come under the administration of the Personnel Ministry.

Career civil servants will be chosen by examination, and specific regulations will be formulated to classify their posts.

Promotion will be on the basis of merit and qualifications and they will receive a salary corresponding to their positions.

The ministry is planning a salary system based on periodic increments and a periodic review of pay-grades, the vice-minister said, adding that the salary of civil servants will be compatible with positions of similar importance in industry and will be indexed to meet price increases.

All levels of China's Government now employ more than 4.2 million people, of whom half a million are working for central and provincial governments. China has more than 27 million cadres working in the party, government institutions, judicial departments and businesses—including engineers and technicians.

However, China's civil servants will not be required to be "politically neutral," as is the case in some Western countries. Career civil servants may join the party or social organizations and can take an active part in political life.

However, they are prohibited from engaging in activities opposed to the government or other activities that might damage the government's reputation, the vice-minister stated.

Referring to introductory measures designed to introduce the system, the vice-minister said that in the coming five years the work will be focused on establishing a relatively complete legal system for carrying out the measures in the State Council, most government organizations at the provincial level and in large metropolitan areas.

During this five-year transition period, state public administration colleges and local administration colleges will be established to form a civil servant training network.

In the final five year phase, the civil servant system will be adopted by all governments at and above the county level.

"It is important to integrate the ongoing reform of the political structure—including government streamlining—with the introduction of the civil service system," Cheng Lianchang stressed. The combination of the two elements will raise the quality of government employees and improve the working efficiency of the government as a whole, he said.

New Leaders Named for Academy of Social Sciences  
HK2710045688 Hong Kong MING PAO in Chinese  
18 Oct 88 p 8

[Special dispatch from Beijing by special correspondent Yi Hung (1355 1347): "The Chinese Academy of Social Sciences Sets Up New Leading Body With Young, Learned, and Energetic Leaders"]

[Text] Appointed vice president of the Chinese Academy of Social Sciences and concurrently director of the Research Institute of Marxism-Leninism, Zheng Bijian, former first secretary to Hu Yaobang, has already taken office.

So the reshuffle of the leading bodies of the Chinese Academy of Social Sciences at both the academy and institute levels has now been basically completed. The academy leading body includes Hu Sheng as the president; and Liu Guoguang, Ding Weizhi, Qian Zhongshu, Zhao Fusan, Li Shenzhi, Ru Xin, and Zheng Bijian as vice presidents.

Except for the Institute of South Asia, all the 30 other institutes under the academy now have their directors in office. As compared with their immediate predecessors, the average age of newly appointed institute directors has decreased noticeably to 51.5 years.

Liu Zaifu has been reappointed director of the Institute of Literature. A public opinion poll conducted within the institute has shown that he is the most popular member. The new leading body that he helped to set up is quite young in average age, with a 36-year-old deputy director.

Zheng Bijian has been appointed director of the Research Institute of Marxism-Leninism, thus filling the vacancy left by Su Shaozhi, who was removed from his post more than a year ago. Zheng, 55 years old, who had worked as secretary to Hu Yaobang when Hu was holding the post of secretary general of the CPC Central Committee, is one of the CPC's prominent theoreticians. Before he was appointed to the Academy of Social Sciences, he was deputy director of the International Studies Center headed by Huan Xiang under the State Council.

Yan Jiaqi is no longer the director of the Political Science Institute. So he can now work as a scholar, relieved of his office as he had been expecting. Resigning from the post on his own, he said: "As a researcher in political science, I am one of the first to oppose the life tenure system. I have kept the post of director of the Political Science Institute for two terms and should not hold the post any longer. I hope to spare several years so that I can concentrate my attention on some tasks that I am now working on and planning to do." Strongly recommended by Yan Jiaqi, Wu Daying, a specialist in political science and law, has succeeded Yan as director of the institute.

This correspondent has learned that all of the more than 100 newly appointed directors and deputy directors are in the prime of life, and the vast majority of them are scholars of great attainments. Some of them had studied in the Soviet Union or the United States, and some others had undergone training as postgraduate students at the Chinese Academy of Social Sciences after 1977. The appointment of two journalists as institute directors is an interesting episode—Luo Weilong, former BEIJING RIBAO correspondent to Tokyo, has been appointed director of the Japanese Studies Institute; and Chen Yicun, former RENMIN RIBAO correspondent to the United Nations, has been appointed director of the Taiwan Studies Institute.

#### Further on National Trade Union Congress

**Executive Committee Elected**  
*OW2610231288 Beijing XINHUA in English  
1634 GMT 26 Oct 88*

[Text] Beijing, October 26 (XINHUA)—Two trade union officials from Sino-foreign joint ventures were elected today to the new Executive Committee of the All-China Federation of Trade Unions (ACFTU).

The two officials are Jin Guoting, vice-president of the trade union at the China Hotel in Guangzhou and Zhu Dechun, president of the trade union at the Nantong Liwang Company in Jiangsu Province.

About 1,500 delegates attending the 11th National Trade Union Congress elected the new Executive Committee consisting of 229 members. They were chosen from 240 candidates by secret ballot.

The committee members include ACFTU leading officials, leaders of local trade unions, grass-root trade union workers, non-Communists and model workers.

A new ACFTU budget committee was also elected at today's plenary session.

The 11th National Trade Union Congress opened on October 22 and is scheduled to run till October 28.

**'Unexpected' Election Result**  
*HK2710043788 Beijing ZHONGGUO XINWEN SHE  
in Chinese 1321 GMT 26 Oct 88*

[Report by Wang Xiaohui (3769 2556 6540): "Wan Shaofen Fails To Be Elected to the Executive Committee of the All-China Federation of Trade Unions"—ZHONGGUO XINWEN SHE headline]

[Text] 26 Oct, Beijing (ZHONGGUO XINWEN SHE)—The election held here at the 11th Congress of the All-China Federation of Trade Unions has produced an unexpected winner. Wan Shaofen, who was elected vice president of the All-China Federation of Trade Unions 18 days ago, failed to be elected as expected, in the multicandidate

election for president of its executive committee. In accordance with the electoral proceedings prescribed by the congress, the top leader of trade unions should be elected from the 229 members of the executive committee.

Wan Shaofen, 58, is China's only secretary of the party committee at the provincial level. She left Jiangxi 5 months ago to come to Beijing to join work for the All-China Federation of Trade Unions. She was elected vice president at the 6th Session of the 10th Executive Committee at the beginning of October, the last meeting of the 10th Executive Committee.

During the session, when she was asked by reporters whether she would move her whole family to Beijing, she said it would depend on the coming election. She also said: If I am trusted and elected, I will move my family here. Otherwise, I will go back. It has been learned that she has been staying at a guesthouse and has had her meals in the public dining hall since coming to Beijing several months ago.

The election was held at a 5 percent balance. Today 1,489 delegates cast their votes in the election and Wan Shaofen garnered 1,080 votes. [figures as received].

**Zhu Houze Elected**  
*HK2610152688 Beijing ZHONGGUO XINWEN SHE  
in Chinese 1237 GMT 26 Oct 88*

[Report by reporter Wang Xiaohua (3769 2556 2547): "Zhu Houze (2612 0624 3419) Elected to All China Federation of Trade Unions Executive Committee"—ZHONGGUO XINWEN SHE headline]

[Text] Beijing 26 Oct (ZHONGGUO XINWEN SHE)—The name of Zhu Houze, who has spent a lot of time traveling to various parts in China to engage in investigation and study over the past year or so, suddenly surfaced on the list of some 200 members of the All China Federation of Trade Unions Executive Committee today.

One-tenth of the some 200 executive committee members will not become professional trade union workers. However, reliable sources have it that Zhu Houze will fall into the ranks of the majority.

The reporter learned that, the candidates for the executive committee members were recommended by various departments, and were determined only after much work in preparations and selection. A considerable portion of the candidates were recommended by provincial and city trade unions. Some of the candidates to become chief responsible persons of the federations of trade unions at national and provincial levels would be recommended by the CPC. Zhao Ziyang explicitly pointed out not long ago, that such a practice is one of the aspects of the CPC political leadership of the trade unions. China's federation of trade unions will elect its top-echelon leading members on 28 October, when the 11th Congress of the All-China Federation of Trade Unions is to conclude.

The 57-year-old Zhu Houze was appointed Director of the CPC Central Committee Propaganda Department in 1985, when he left office of Guizhou Provincial CPC Committee Secretary. After 2 years at the Propaganda Department, he was again transferred to the State Council Rural Policy Research Center [as received]. He devoted himself to economic work while he was in Guizhou.

The reporter asked a deputy why he voted for Zhu Houze when some 1,000 deputies were on a ballot. He stated: Because Zhu Houze has all along been opposed to leftist orientation; moreover, he is by no means proud despite being a most learned man.

Elected to the Executive Committee together with Zhu Houze was Wang Houde [3769 0624 1795] who was deputy secretary general in charge of routine work of the Sixth NPC Standing Committee when Peng Zhen was in charge. Wang studied in Moscow when he was young. He had worked in the economic department for a long time after his return, and was transferred to the NPC Standing Committee five years ago.

**Leaders Visit Delegations**  
*OW2610051388 Beijing XINHUA Domestic Service  
in Chinese 1453 GMT 24 Oct 88*

[By reporter Sun Jie]

[Text] Beijing, 24 Oct (XINHUA)—Chen Pixian, member of the Standing Committee of the Central Advisory Commission, and Peng Chong, vice chairman of the NPC Standing Committee, yesterday and today called separately on the Shanghai, Jiangsu, and Fujian delegations attending the 11th National Congress of Chinese Trade Unions in Beijing, encouraging them to work together with the broad masses of workers to play an even greater role in reform and construction.

At 1000 today, the energetic Chen Pixian went to the Guoyi Guesthouse to visit a trade union delegation from Shanghai Municipality, where he had worked for a long time. Members of the delegation warmly welcomed this old leader. In a cordial conversation, Chen Pixian said: Shanghai cannot do its work well without its working class and trade union organizations at various levels. So much can be achieved in trade union work. He encouraged members of the Shanghai trade union delegation by saying: "The Shanghai working class has a fine tradition, and it is the main force for the construction of the municipality. In the past, Shanghai relied mainly on workers to surmount difficulties. I hope that the trade unions in Shanghai will do a good job among the large number of workers to play a more important role in the construction of the municipality."

On trade union work, Chen Pixian said to members of the delegation standing around: "Do your trade unions dare to make suggestions to the municipal government

and the municipal party committee? I am afraid not. I do not think we can blame you for this, mainly because some things have not yet been straightened out."

Chen Pixian said: Since trade unions maintain ties with the masses and workers, they should regularly reflect workers' opinions. Reflecting workers' opinions to party committees and government organizations is also part of trade union democracy. However, trade unions should improve their work methods. In the past, problems could be solved by holding congresses and speaking at them, but this no longer works. Now, it is necessary to talk with workers, analyze the situation, compare conditions, and do ideological work among them.

On the afternoon of 22 October, Peng Chong, vice chairman of the NPC Standing Committee, visited the Jiangsu and Fujian delegations attending the 11th National Congress of Chinese Trade Unions. Peng Chong said: The "Enterprise Law" has been promulgated for implementation. Trade unions and workers may use this legal weapon to reason with factory directors. Trade union organizations should work for the legitimate interests of workers and staff members. Without doing so, it would be empty talk for a trade union to describe itself as the home of workers. Peng Chong said: It is now determined that the factory director holds the central position in his factory. However, if the factory director does not know how to rely on the masses and how to arouse their enthusiasm, he definitely cannot do his work well, nor can his factory function effectively.

**State Prepares Investment Inspection Teams**  
*OW2710080288 Beijing XINHUA Domestic Service  
in Chinese 1317 GMT 25 Oct 88*

[By RENMIN RIBAO reporter Lu Mu and XINHUA reporter Wu Shishen]

[Text] Beijing, 25 Oct (XINHUA)—The State Council's Fixed Assets Investment Projects Inspection Group held its first meeting today. Gan Ziyu and Li Shizhong, deputy directors of the State Council's Leading Group for Reexamining Projects, urged all inspection groups to carry out their duties seriously, conscientiously, and meticulously. They must not allow any exceptions, perform their tasks carelessly, or merely go through the motions.

While reporting on the progress made by various localities in checking investment projects, Gan Ziyu said that the work of reexamining fixed assets investment projects under construction is underway nationwide. Most of the localities and departments have carried out this work with a positive attitude and quick action. At present, all departments of the State Council, the 30 provinces, autonomous regions, municipalities directly under the central government, and the 14 cities with provincial-level decisionmaking authority have set up reexamination groups headed by principal leading cadres. Jiangxi, Zhejiang, and Liaoning Provinces have halted the first batches of projects under construction. The current

reexamination of investment projects has received broad attention and support from all sections of society. People in various localities have called or sent telegrams or letters to the reexamination office of the State Council to report problems and offer suggestions.

Gan Ziyu and Li Shizhong pointed out: The work has started well, but more arduous work and missions are ahead. The overextension in the scale of fixed assets investment is the concentrated expression of an overheated economy, and the central link to controlling the economic environment lies in curtailing the investment scale. The two officials urged all inspection groups to make a thorough investigation and study. In addition to asking questions, they must make on-site inspections. They should not be irresolute in cutting the investment projects. At the same time, they must perform their duties honestly and impartially and refrain from accepting gifts or entertainment.

It has been learned that the 10 inspection groups to be sent by the State Council are composed of members of the State Planning Commission, the Ministry of Supervision, the State Auditing Administration, the State Statistics Bureau, the Ministry of Finance, the People's Bank of China, and other departments, and are headed by vice ministers. The inspection groups will leave for various localities in early November to carry out their work.

**More on Inspection Teams**  
*OW2610043688 Beijing XINHUA in English*  
*0233 GMT 26 Oct 88*

[Text] Beijing, October 26 (XINHUA)—Next month China's State Council will send inspection teams to check new investment projects to ensure that all such projects fall within the State Council's directives for new investment. This is part of the government's intention to "rectify the economic order." [passage omi'.ed]

Each team will be headed by a vice-minister.

At a meeting here yesterday, Gan Ziyu, deputy head of the State Council's project screening group, described excessive investment in fixed assets as "a major cause of China's overheated economy" and said reduction of the investment is "a key link to improve the economic environment."

Gan said that the teams have been forbidden from accepting gifts and banquets during their mission. He told the inspection teams to carry out their work conscientiously and "not just to go through the motions."

Gan said that all provinces, autonomous regions and municipalities as well as the ministries and commissions under the State Council have all set up "screening" teams. He said that he believed that the campaign has won wide popular support, adding that many people have telephoned or sent letters to the State Council with their suggestions.

**New Science Regulations Being Prepared by State**  
*OW2610061488 Beijing XINHUA in English*  
*1032 GMT 24 Oct 88*

[Text] Beijing, October 24 (XINHUA)—China is preparing a series of new scientific laws and regulations as part of the policy of integrating scientific advance with economic development.

According to an official from the State Science and Technology Commission, a nuclear energy law and a law covering the promotion of science are being drafted.

Over the last decade, the State Council has promulgated a series of regulations including the funding of scientific work, the expansion of the authority of research institutes, and the integration of technological institutions with enterprises.

In the past 10 years, more than 30 such laws and regulations have been passed or issued. For example, the Patent Law and the Technical Contract Law went into effect in 1985 and 1987 respectively.

**Customs To Crack Down on Smuggling by Officials**  
*OW2610114688 Beijing XINHUA in English*  
*1038 GMT 26 Oct 88*

[Text] Beijing, October 26 (XINHUA)—China's General Customs Administration today called on its branches to crack down on smuggling by government offices.

In a circular issued yesterday, the general customs called for "heavy penalties" to be imposed on smugglers trying to evade customs.

"To this end," the circular said, "branch customs should establish corruption reporting centers to screen these government offices."

Meanwhile, the circular demanded the local customs exercise "strict checks" over all imports.

The imports administered under the "import licence system" should be checked against the necessary permits before being passed. Anyone found falsifying such permits will be punished, the circular said.

Rules on tax exemption for imported goods, particularly luxury goods such as cars, electrical appliances and cigarettes, should also be strictly enforced, the circular said. Exemption should be approved only by the State Council, China's highest governing body.

These measures have been taken to straighten out the "messy management" of the country's customs, according to the circular.

**NPC Deputies Involved in Democratic Politics**  
*OW2610085688 Beijing XINHUA in English*  
*1542 GMT 25 Oct 88*

[Text] Beijing, October 25 (XINHUA)—More than 2,900 deputies to the National People's Congress (NPC) are now playing an increasingly important role in the country's construction of democratic socialist politics, an NPC official said here today.

Deputies in many areas have now been organized to popularize the knowledge of laws (including the Constitution), carry out investigations and inspections of local departments, listen to the people's opinions and complaints, and examine the implementation of laws and regulations, the official told XINHUA.

According to the NPC source, since 1985 several hundred deputies have done research work in the capital's 400 departments in such diverse fields as industry, agriculture, commerce, urban construction, education, culture, science and technology, and relics protection.

Another 120 deputies in northeast China's Heilongjiang Province have toured more than 1,700 work units and departments in the province's 51 counties and cities, and have visited nearly 250 families.

In doing so, the official said, they have "reported people's opinions to local governments and offered valuable suggestions".

For example, after their investigation 12 of the deputies put forward a proposal that investment on urban construction be reduced by two percent and use the saved money to assist school teachers in poor living conditions.

The proposal was submitted by the provincial government to the Standing Committee of the province's People's Congress and was promptly approved.

Activities such as "deputies' reception day" have also been begun in some places to allow the deputies to hear the people's suggestions and complaints, in order to help solve their problems, the official explained.

Nevertheless, many difficulties still exist for activist deputies, because they presently lack legal protection for actions carried out in the performance of their duties, he pointed out.

Because of this uncertainty, a special meeting was sponsored by the general office of the NPC Standing Committee in Beijing today for the express purpose of discussing the problem.

Some 60 officials from local people's congresses are attending the four-day meeting.

**Development of Man in 'Initial' Stage Examined**  
*HK2710064288 Beijing GUANGMING RIBAO*  
*in Chinese 10 Oct 88 p 3*

[Article by Hu Chudong (5170 2806 2639): "On Several Variables Conditioning the Development of Man During the Initial Stage"]

[Text] The development of man generally refers to the degree of freedom he strives for in nature and society during a certain historical period. It includes the improvement of man's system for material and spiritual needs, professional structure, intellect structure, thinking ability, and political quality. It is a concept of historical movements with qualitative and quantitative definitions corresponding to different historical periods.

Since the initial stage of socialism in China is a special stage of social development, man's development is also in a special stage—man's modern stage. In other words, it falls into coordination with social development during the initial stage of socialism. During this historical period, determining man's development standard in a scientific manner is an issue of major importance. Viewed from the theory of systems, man is an extremely complicated system consisting of man's spiritual world and social conduct as well as control over man. Many factors are affecting man's development. Subjective factors include physiological, psychological, and cultural factors; objective factors include natural and social environments. Viewed from the relationship between the development of the initial stage of socialism and man's development, there are three major variables that condition and affect man's development:

The first one is the development level of the entire society. This is determined mainly by the degree of modernization in our country. The modernization we are striving for includes not only the modernization of economy, science, and technology, but also the modernization of culture and spiritual quality. The development of socialist modernization involves technical innovations, economic growth, as well as the coordinated development and overall progress of politics, culture, education, and the entire society. Using the development level of the entire society to judge the variables conditioning man's development is the most basic system of variables.

The level of social and economic development is the basic variable conditioning man's development. The key to developing the economy is promoting productive forces. In the course of promoting the productive forces, social division of work is an important factor restricting the development of economy and man. Although social division of work plays an important role in promoting the progress of human society, its segregative and independent natures have caused man's one-sided development. Its segregative nature has brought about a monotype practice and segregation (such as that between occupations and regions). As a result, the background, scope, and content of man's understanding are narrow and separate from each

other, thereby affecting man's social behavior. During the initial stage of socialism, social and economic development can neither avoid social division of work (it may even strengthen in some aspects) nor remove it (it can only be restricted conditionally). In other words, social division of work still plays an important role in man's development. Therefore when observing economic development factors, the key issue is to soberly understand this contradiction, to make a quantitative analysis of the negative factors in social division of work, to acquire a good knowledge of the "degree" of the influence of these negative factors, and to work out detailed methods and measures for overcoming these negative factors so as to effectively promote the development of society, economy, and man.

The building of socialist democratic politics is producing a great impact on man's development. The socialist democratic political system should be a system that can provide a guarantee for the masses to become masters of their own affairs. But this has not been genuinely put into practice so far. A closed system is still playing its role in China's political life. For example, the democratic system still remains imperfect in the party and state leadership system (policymaking is not adequately democratized, and there is not adequate openness for party and government affairs); there is a certain estrangement between regions, stratum, and mass organizations; political life in grass-roots units is tightly closed to each other; and feudal patriarchal-type leadership as well as personal subordination can still be found in these units. All this reflects people's old way of behavior, which contradicts their wish to participate in government administration. In such cases, the people's initiative, creativeness, and overall development will be affected. Scientific and cultural development during the initial stage of socialism constitutes an important factor affecting man's development. Following the development of science, technology, and the productive forces, exchanges between people have become extensive, close, and complicated. Therefore there are stricter demands for man's quality, for social education, and for self-education. This will certainly improve man's knowledge structure and thinking ability and promote man's development.

Second, the degree of satisfaction that society produces on man's development during the initial stage of socialism is another variable impacting on man's development. The history of human society proves that all social conflicts originate from the contradiction between man's effort to realize his value and the form of exchange, that is, the contradiction between man's needs and society's ability to satisfy his needs.

Man's needs have both qualitative and quantitative definitions. In different development stages of production, the daily necessities man obtains from nature constitute a kind of variable in comparison with his needs. This is because the development of the productive forces varies in different societies and the development of the productive forces as well as man's needs and his degree of satisfaction differ from each other. Even in the

same society, man's needs and his degree of satisfaction vary in different development stages. Therefore it is necessary to enhance the degree of satisfying man's needs following the development of the productive forces during the initial stage of socialism.

During the initial stage of socialism, it is quite important to satisfy man's needs for political participation. Man's political behavior and political activities are influenced by certain politics and culture. Politics and culture produce their social effects on man's political behavior through his political psychology, political concept, political thinking, and political belief; whereas man's political behavior impacts on the political system and macropolitical activities. Following the development of socialist democratic politics, man's mentality about political participation will strengthen and play a bigger role in the political system. Therefore it is necessary to enhance the degree of satisfying man's political needs.

During the initial stage of socialism, the degree of satisfying the development of man's intellect is also a variable. There are both general and specific requirements for the development of man's intellect, but specific requirements are more important. For a long period of time after the founding of the PRC, stress was laid on general requirements to the neglect of specific ones. This found expression in laying emphasis on collectivism, uniformity, and unanimity while suppressing and restricting the individual development of the members of the community. As a result, the strong points of socialism could not be brought into full play.

Third, during the initial stage of socialism, the degree of satisfying man's needs has an important bearing on man's overall development. Following the development of world economy, politics, and culture, human society throughout the world is tending toward an entity involving the interests of all people. For example, the problems of population, energy, and environmental pollution are common issues facing the world and involving the interests of all countries. In case these natural changes threaten the existence of the people around the world, all countries in the world should unite their efforts to deal with these monsters, which have been created by human beings themselves. Since the ultimate purpose of communism is to emancipate all mankind, to enable everyone to freely display his talents and intellect, and to oppose control, oppression, and enslavement, great importance should be attached to the interests of all mankind. Without satisfying the interests of all mankind, a country will not be able to maintain its interests, nor will there be overall development of individuals.

**Leaders Attend City Games Opening in Jinan**  
*OW2610053288 Beijing Domestic Service  
in Mandarin 1030 GMT 23 Oct 88*

[From the "National Hookup" program]

[Text] The 1988 National City Games opened with grandeur this afternoon in Jinan City, Shandong Province.

Among those attending the opening ceremony were Li Tieying, member of the Political Bureau of the CPC Central Committee and state councilor; Yu Qiuli, member of the Standing Committee of the Central Advisory Commission; Yang Jingren, vice chairman of the CPPCC National Committee; Rong Gaotang, member of the Central Advisory Commission; Li Menghua, minister in charge of the State Physical Culture and Sports Commission, and responsible persons of the Shandong provincial party committee and the Shandong provincial government, including Liang Buting, Lu Maozeng, and Jiang Chunyun.

Li Tieying addressed the opening ceremony. He extended warm congratulations on behalf of the party Central Committee and the State Council.

Li Tieying said: The holding of the city games is a step in the course of athletic reform and a measure in the socialization of sports. Cities hold a very important place in the economic and social development of a country and play a vital role in popularizing mass sports activities and in raising the level of athletic skills.

Li Tieying continued: The current city games are a review of the athletic skills of the participating cities. We expect the athletes to set high standards for themselves and meet strict demands. We hope that, through the contests at the current city games, a number of outstanding athletes will be discovered and trained for the 1990 Asian Games to be held in our country and the 1992 Olympiad in Barcelona, and that the athletes will contribute to making our country an athletic power in this century.

Speeches were also given at the opening ceremony by Shandong Governor Jiang Chunyun and the athletes' representative (Yang Wenhui).

More than 2,300 athletes from 40 cities will take part in the current city games. Among them are many outstanding young athletes. The city games have 12 sports contests, all of which are Olympic events.

The opening ceremony was followed by mass group calisthenics under the title "Dragons Rise, Tigers Leap."

**Song Jian Discusses Science, Technology Reforms**  
HK2710020188 Lanzhou Gansu Provincial Service  
in Mandarin 0000 GMT 27 Oct 88

[Text] State Councillor and State Science and Technology Commission Minister Song Jian yesterday met well-known Gansu scientists, a number of meritorious science and technology personnel in instituting the spark plan, and responsible persons of some factories, mines, enterprises, and research units and discussed with them questions concerning reforms of science and technology and of factories, mines, and enterprises.

Song Jian first listened to the scientists' views and suggestions on reforms of science and technology, research spending, the science and technology force, and pay and conditions for intellectuals, and held a wide-ranging discussion with them on these matters. When some scientists reported that serious blockades are in force on scientific data, Song Jian instructed Jiang Minkuan, vice minister of the State Science and Technology Commission, who was accompanying him, to seriously study and resolve this problem. He also expressed the hope that scientific research units will devise more ways of raising investment for research. They should increase investment and step up basic theoretical research, and boldly reward science and technology personnel who have made contributions, to promote the continued prosperity of research work.

Song Jian and other leading comrades then met science and technology personnel who have made contributions in carrying out the spark plan, and representatives of nongovernmental research units. He urged them to continue to work hard and apply science and technology to promote local economic invigoration.

In the afternoon, Song Jian and the other leading comrades held a forum with responsible comrades of comprehensive provincial-level departments, central factories and mines in Gansu, provincial-level factories and mines, and a number of research units. He called on large and medium-sized enterprises to step up the research and development of medium and long-range products while eliminating short-term behavior. Science and technology work in the enterprises should rely on tackling tough problems, step up international cooperation, strive to organize cooperation with counterpart enterprises and research units in advanced countries, and further promote reforms in the large and medium-sized enterprises.

Jiang Minkuan, vice minister of the State Science and Technology Commission; Lu Kejian, deputy secretary of the provincial party committee; and Yan Haiwang and Liu Shu, vice governors, took part in the meetings and forums. In the afternoon Song Jian concluded his inspection of Gansu and left Lanzhou for Beijing. Provincial leaders concerned saw him off at the railroad station.

**Report of Military Reconnaissance Exercise**  
HK2710060788 Beijing JIEFANGJUN BAO  
in Chinese 10 Oct 88 p 1

[Report by Zhang Xiangchi (1728 0686 2170): "A Certain Group Army Carries Out a Combined Reconnaissance Exercise"]

[Text] In mid-September, a certain group army under the Jinan Military Region organized a combined military reconnaissance exercise designed to assist victorious campaigns. The PLA General Staff headquarters and the departments concerned in the Jinan Military Region paid high tribute to the exercise initiated by the group

army in an effort to develop the current low-level military reconnaissance, depending mainly on individual reconnaissance troops and squads, into high-level combined military reconnaissance.

During the first half of August, the group army assembled all its reconnaissance sections and elements to carry out a combined military reconnaissance exercise to coordinate offensive campaigns launched by group armies. During the exercise, information was gathered through different channels and handled in a comprehensive way in an intelligence center manned by personnel from reconnaissance troops, artillery units, engineering corps, antichemical corps, armored corps, and signal corps, and by leaders from headquarters. Meanwhile, reconnaissance elements were despatched to different units to help them collect and combine information to send to headquarters directly. In the past, information was usually gathered by reconnaissance elements and then sent to different arms units. After being itemized and combined in reconnaissance departments the information was finally sent to the operational chief of staff. Such a way of gathering information has many weaknesses like too many links, slow speed, and outdated information.

**Essays of Peng Dehuai Slated for Publication**  
*OW2710043988 Beijing XINHUA in English*  
*1034 GMT 23 Oct 88*

[Text] Beijing, October 23 (XINHUA)—"The Military Essays of Peng Dehuai," a late outstanding proletarian military strategist and marshal of the People's Republic of China, is expected to be published shortly to mark his 90th birthday, according to today's LIBERATION ARMY DAILY.

Born on October 24, 1898, Peng Dehuai had fought and commanded hundreds of battles and campaigns, and experienced wars against warlords, and revolutionary class wars and national wars both in China and abroad.

Shortly after national liberation, he was appointed commander-in-chief of the Chinese People's Volunteers to aid Korea in early 1950s and afterwards, became minister of defence till 1959.

But he was criticized by Mao Zedong for his views spread at a party conference that went against the movement of "Great Leap Forward." The marshal died in Beijing on November 29, 1974 at the age of 76.

In a preface to Peng's works that is carried in today's LIBERATION ARMY DAILY, Chinese President Yang Shangkun described him as one of the outstanding proletarian strategists as well as of his close comrades-in-arms.

Yang noted that Peng had made great contributions in the military field and enriched the contents of Mao Zedong's military thought both with his military practice and military essays.

His military essays are therefore valuable assets of the Chinese Army, which are worth study and compiling, Yang said.

Meanwhile, today's PEOPLE'S DAILY also carries an article signed by Bo Yibo, vice chairman of the Central Advisory Commission of the Chinese Communist Party, in commemoration of the late marshal.

Bo praised Peng for having left them many valuable assets, of which the most priceless is his braveness and spirit of seeking truth from facts.

At the crucial moment of China's current reform, which is full of both bright hopes and difficulties, all party members should inherit his revolutionary spirit of being a courageous pioneer and "seeking truth from the facts", so as to revitalize the Chinese nation and the accomplishment of socialist modernization, Bo stressed.

**Macrocontrol Price Reform Policies Discussed**  
*HK2710051988 Beijing GUANGMING RIBAO*  
*in Chinese 8 Oct 88 p 3*

[Article by Zhang Zhenbin (1728 2182 2430): "The Target and Policy of Macrocontrol in Price Reform"]

[Text] A change in the price system and price shaping mechanism which constitutes a readjustment of the existing structure of economic interests and basic economic relations will inevitably lead to a major change in social economic life and produce a great impact on the macroeconomy. Hence, the smooth progress of price reform depends to a great extent on whether we can exercise flexible and effective macroeconomic control over this process and in particular, select a definite macroeconomic target and a correct macroeconomic policy.

**The Target of Macroeconomic Control in Price Reform**  
[subhead]

In light of the influence of price reform on the macroeconomy and the macroeconomic environment required by price reform, we should be clear about the following five targets while exercising macroeconomic control in the course of price reform:

**The basic stability of the general level of social prices.** The basic orientation of China's price reform is to establish a market-oriented price shaping mechanism in a planned commodity economic system and form a coordinated, reasonable price structure on this basis. From a long-term point of view, the price mechanism in the market will eventually lead to the shaping of balanced prices and bring about relatively stable prices. In the near future, particularly when general demand exceeds supply, however, the market orientation of prices will lead to a rise in the general price level. Because of the readjustment of the market mechanism, namely, the readjustment period from price hikes to an increase in supply, an all-around price increase in commodities will be the immediate

effect of the market orientation of prices. Hence, it is necessary to keep the prices within the scope accepted by various fields. If the general level of prices increases sharply, inflation will continue in a sustained manner, economic life will remain turbulent, and it will be difficult to proceed with price reform.

**The basic stability of the people's living standards.** The essence of price reform is to readjust the structure of interests on the basis of vested interests. Therefore, we must take into account the bearing capacity of the people's economic benefits. We cannot make a success of price reform at the expense of lowering the people's living standards. The key to the problem lies in: On the premise of the laborers' marginal productivity exceeding the growth in their marginal income, the increase in laborers' income should outstrip the price hikes within a given range.

In China, the price hikes evoked by price reform have produced a strong "compensation pressure" as all levels and individuals demand compensation in income. These demands are first aimed at enterprises, leading to price and wage spirals.

**The basic stability of government economic activities.** As the risk of China's price reform is to a great extent undertaken by the government, the government should maintain its sound economic strength in the course of price reform and set up a reserve fund to be prepared against possible interference. If government finance is too tight, it will increase the risks of price reform. To meet needs in this regard, it is necessary to correspondingly readjust the scope and setup of government revenue and expenses.

**The basic stability of the social economic order.** The price shaping mechanism and the price structure reflect the basic economic relations in social economic life and also constitute the basis of the operational order of social economic life. Price reform has smashed the old economic order and advanced toward a commodity economy. However, reform itself is actually a relative course without any order. We should reduce and eliminate the major fluctuations and turbulence in economic life. On the one hand, we should minimize the impact of price reform on the order of economic operation; and on the other hand, we should adopt various effective means to establish a new socialist commodity economic order and prevent the disorderly factors from interfering with price reform.

**The attainment of better social economic results.** The fundamental point of the target of macroeconomic control in price reform lies in stability, which should be based on the attainment of better economic results. Only by constantly attaining better economic results can all fields increase their bearing capacity and can we have the economic guarantee to tide over the difficulties. Therefore, the selection of a macroeconomic policy should be based on the attainment of better economic results.

#### The Macroeconomic Policy in Price Reform [subhead]

To attain the macroeconomic target, it is necessary to solve the following problems in the course of price reform:

**The market orientation of prices should develop simultaneously with the market orientation of wages and interest rates.**

Price reform should coordinate with the orientation of the wage policy to prevent the price shaping mechanism from going in an opposite direction to the wage shaping mechanism. If the price shaping mechanism is market-oriented while the wage shaping mechanism is not, it will be impossible to cut the chain of wage and price spirals and to realize the integration and effectiveness of the market signal. Because of the nonmarket orientation of the wage shaping mechanism, enterprises cannot determine labor investment in light of the changes in commodity prices and the growth in consumption will be out of control, leading to excessive price hikes in demand. We should discover an economic mechanism in which wages and prices will condition each other and the market orientation of prices will coordinate with the market orientation of wages. Under the conditions of a commodity economy, this mechanism is called the market mechanism.

This is also the case with the question of interest rates. To control the general level of prices, it is necessary to first exercise control over the circulation of currency in economic life. Without an effective economic mechanism between interest rates and prices, it will be impossible for control to be effective. In a commodity economy, a balance of a commodity market cannot be divorced from a balance of a capital market and exist in isolation. It is unimaginable that a balance of a commodity market maintained by means of a market-oriented price shaping mechanism will coordinate with a balance of the non-market oriented currency supply and demand. For this reason, the market orientation of interest rates should be further promoted in the course of price reform so that the relations of capital supply and demand will be flexibly linked with the level of interest rates and that an internal mechanism for the stability of the general price level will be established.

#### Control the supply of currency based on economic growth.

The key to controlling the general price level lies in controlling the supply of currency and stabilizing the prices by stabilizing currency.

The method adopted in China at present is that the growth in currency supply is determined in light of economic growth and price hikes. According to this method, the increase in currency supply includes an expected price hike while the practical results of economic operation usually outstrip this. To effectively exercise control over the general price level, the increase

in currency supply should coordinate with economic growth. Even if the increase in currency supply exceeds economic growth, the extent will be lower than the price hikes. Under the current situation of excessive currency circulation, while deciding on the increase in currency supply we should not put undue stress on the factors of the year's price hikes. Thus, we can withdraw excessive currency through price hikes and also keep the price hikes within an acceptable limit.

#### Maintain moderate economic growth.

Regarding China's current situation, the main question is whether we can curtail excessive industrial growth. True, we cannot carry out price reform at the expense of economic growth. In view of the bearing capacity of all fields of economic life, it would be appropriate to keep annual industrial growth within 10 percent. Stress should be put on curtailing the scope of investment in capital construction including hotels, guesthouses, amusement grounds, and ordinary processing industries which are now under construction. Under the conditions in China at present, the scope of construction determines the factor of currency circulation. Hence, the control over economic growth becomes the focus of macroeconomic control in the course of price reform.

#### A transfer of the bearing capacity of price fluctuations.

Generally speaking, the producers' bearing capacity of market price fluctuations comes from two aspects: First, income bearing capacity; and second, assets bearing capacity. In the former, the producers try to offset the price hikes with an increase in their incomes; while in the latter, enterprise owners use their assets to offset the loss caused by price fluctuations, resulting in enterprise bankruptcy or merger. China's current situation is: The price hikes are basically offset by the increase in enterprise income. The rigid public asset operation mechanism does not enable enterprises to bear the pressure of price fluctuations through the transfer and readjustment of assets accumulation. To tide over the difficulties in price reform, it is necessary to shift the impact of price reform from increase in income to assets accumulation. Therefore, it is necessary to fundamentally reform the existing property right operation system and assets operation system, and in particular develop a market for the transfer of property rights, so that the enterprises capable of withstanding the market price fluctuations can merge with those that cannot withstand the fluctuations and bear the pressure of price fluctuations through the transfer and readjustment of assets accumulation.

The transfer of the bearing capacity of price fluctuations is manifested in the microeconomy (enterprises) as well as in finance in the macroeconomy (finance). In the reform of the property right system, we should in a planned and step by step manner, sell a number of medium- and small-sized state enterprises, particularly small-sized ones; discard the method of the government and departments at all levels taking over and delegating

state enterprises without compensation and genuinely transfer enterprises as commodities between the financial departments at all levels. It is both a feasible and favorable choice to support price reform with funds obtained in this regard.

**Reform Faces 'Important Change' in Strategy**  
*HK271011188 Shanghai SHIJIE JINGJI DAOBAO  
in Chinese 10 Oct 88 p 15*

[Article by Hua Sheng (5478 3932), He Jiacheng (0149 1367 2052), Zhang Xuejun (1728 1331 6511), and Luo Xiaopeng (5012 1420 2590): "Reform Is Faced With Important Change in Strategy"—first paragraph is SHI-JIE JINGJI DAOBAO introduction]

[Text] The open and practical nature of our country's economic structural reforms characterized by "decontrol" has completed in a few years' time a process other countries took decades to complete. Both in depth and in range our reform is in a leading position. This year, if we can gain insight into the general situation, we will be able to achieve our historical mission and be the first country to establish the new structure of socialist commodity economy.

Since 1987, China's economic structural reforms have undergone certain profound changes. On the one hand, some of the important economic reform strategies continue to advance and deepen in various sectors. Total demand has shaken off the violent fluctuations of a few years before and stabilized. Strong economic growth has made possible a more than 9 percent growth rate in GDP. On the other hand, the pressure of inflation has obviously increased. Factors corrupting society are growing fast. Unfair income distribution has once again become a bone of contention. All these have done a certain damage to the government's image among the masses. China's reforms have arrived at a critical juncture whereby change is needed. History teaches us that a successful change of strategy calls for not only courage and determination, but correct decisions and grasp of the situation, timing, and prospects. We have enough courage and determination. The latter are now the key to determining the future of this round of change.

China's reforms in the first 10 years basically adopted a strategy designed to deregulate and enliven the economy and exploit the existing economic situation. The key was to make use of "decontrol measures" to strike at and pulverize the old structure and foster in its place a new one. Its main features, as well as its strongest points, were openness and practice. The success of this strategy is shown in the following facts: China has gone through, in a few years, a reform process that took decades in many socialist countries, and is considered by the world one of the few socialist countries genuinely undertaking reforms. It is in a leading position in both the depth and range of its reforms, maintaining an uninterrupted and admirably strong economic growth, and precisely because of this status, the present difficulties encountered by China in its economic

reforms clearly possess an unprecedented and challenging nature. The solution offered by China therefore takes on an international significance. In this sense, the difficulties in China's economic reforms do not represent a failure of past strategy. Quite the contrary, they demonstrate its success in that period.

However, we cannot but point out that China's reform is still rather fragile. Because of the heavy burden of feudalism and the stubbornness of traditional forces, reforms in modern Chinese history, which often shocked the world with their sharp cutting edge and profound nature, suffered from the lack of a solid foundation and, their fragility and superficiality having been exposed, could not avoid the fate of receding into oblivion. Over the last few years, we have almost exhausted the arsenal of Western commodity economic development devices, but most of them were employed in a distorted manner and lacked an institutional foundation. Meanwhile, corrupt elements have actually grafted themselves onto the new economic forms and have been growing like cancer. From a long-term viewpoint, therefore, the judgment of history will be based on what we do from this point on, rather than on what we have done. For only when we have effected a change in strategy and established the framework of a modern commodity economy can the profound significance and foundation-laying functions of the first stage of reform be really appreciated.

Clearly, when some of the leverage points fundamental to a planned commodity economy are still being considered, it is unwise to throw away the previous strategy of decontrol and exploiting the existing circumstances, and to increase the degree of centralized decisionmaking in economic reforms; and it would be unwise to try to standardize the exploration and experiments of reform with one model. The Hungarians today are still mocking their package reform project, which took years of planning and more than a decade to patch up after a full-scale campaign. They find this simplistic and naive. However, the current situation is: 1) We now have considerable understanding and wide experience of the reforms in East European countries and commodity economies of Western developed countries. This means that we now have a relatively sound information system—we are no longer a hometown boy trying to solve the Goldbach Conjecture. 2) Correspondingly, new ideas or theoretical breakthroughs in economics have slowed and quieted down—in contrast to the continual theoretical leaps such as "capital market," "market system," "microcreation," "ownership system and property rights" and so on a few years ago. 3) Widespread "three lights activities" (that is, red light, bypass it; yellow light, run for it; and green light, rush for it), and people vying with one another to learn them, show that reforms of a self-initiative nature are sliding rapidly toward local and small-group interests. With such vested interests entrenched, orders are not carried out, and injunctions are not obeyed. The range of macroscopic direction and regulation is rapidly shrinking. 4) Corruption, bribery, and graft are on the increase, growing faster than the new-born and positive

factors. The more we fight them, the more these kinds of corrupt things grow, and the more serious they become. They have become open and rampant, and lack any restraint. This shows that they have developed powerful antibodies, and that the regulatory mechanisms to hand are no longer able to deal with them. In view of all these factors, we can say that there is no time to be lost if we wish to initiate a timely and entire change of strategy.

The current difficulties and confusion encountered in reforms further underline the urgency of such a change. However, the core of the problem goes much deeper. Over a considerable period of time the theories on which reform was based were taken as self-evident. These theories, such as those equating decontrol with enlivening the economy and predicting that deregulation of prices would bring about the formation of the market, which would in turn usher in competition, had assumed that the traditional structure contained the "genes" of commodity economy, which would, upon decontrol and deregulation, blossom into reality. Yet all the history of reforms in socialist countries and all the experience of developing countries have proved that there is no logical either/or exclusion among natural, product, and commodity economies. This is particularly true in a country such as China, where the foundation of commodity economy has always been extremely weak. Reform characterized by "decontrol," though helpful in triggering the disintegration of the old system, does not thereby generate and foster a sound and new one. The transition of peasant and natural economy toward the early stage of commodity economy, together with the trend of semibureaucratic business operations originating in large modern industries in urban areas, has produced a special mixture. With it, we find it very difficult to obtain the beneficial results of commodity economy. At best we will be experiencing again the early development process of commodity economy—in a seriously distorted form. This, of course, is not what people have been expecting, nor can it be long endured politically.

Therefore, if in the past we mainly adopted a strategy of "decontrol" to strike at the old structure and foster a new one, then today we should adopt a strategy of "building" to establish the framework of a new structure. This will require: reform decisions to be changed from individual and isolated ones to centralized direction; a change in the content of reform from bold onslaughts on the old system to institutional innovations; and a change in the reform policy from random trials in all areas—a single shot from one position at a time—to elaborately devised, piecemeal engineering. It should be pointed out that raising the slogan "build a new order of socialist commodity economy" itself has set the right direction for the change of strategy in economic reform. At present what is needed is to make clear the overall design of the change in strategy, and, taking the strategic goals of price and wage reforms and building a commodity economic new order as laid down by the central authorities as the center, to make preparations for the early stage, and organize projects to make assaults on the strongholds.

To solve the price and wage problems by means of the market mechanism, and hence build up a new system and order of socialist commodity economy, is a very ambitious strategic blueprint. The key to realizing this blueprint is a successful organization of the modern, competitive market. This is the experience crystalized in Western developed commodity economy. Without this kind of market, the mechanism for checking price rises and effecting rational price movements will not be brought forth; the normal commodity economic order will lose its basis; and hence it will be difficult to avoid the spread of corrupt things such as speculation, fraud, bribery, and graft. This is also the fundamental reason why price reforms in some East European countries experienced price hikes upon deregulation and, similarly, this is the root of the chaos upon deregulation in China's opening to the outside world and on the home front. Consequently, the key to determining the success or failure of price reform is whether an effective competitive market can be successfully organized. This would include: A change from the contracted system to building up publicly owned and people-run [gong you min ying 0361 2589 3049 3602] units as the main body in market competition; setting up an agriculture and sideline product market, organized in the same way as super-companies and chain stores, and involved in both wholesale and retail sales; setting up a labor system wherein enterprises have the right to hire and fire workers; bringing up a managerial stratum separated from administrative careers; and so on. A blind attempt to crash through the problem as a result of an inadequate understanding of the strategic magnitude of this key factor will lead us to commit a historical mistake.

China's reform has arrived at a great juncture, where it will carry forward the previous task and open a new future. The confusion of the juncture should not at all upset or puzzle us. Looking back 10 years, we see how shallow and narrow people's understanding of the prospects of reform and the world were, but relying on the correct reform strategy, and under much more difficult and backward conditions, China has come to the front rank of the socialist reform movement. Today, our understanding of China itself and of the world is incomparably deeper and better rounded. If we judge the time and situation well, and adopt a correct strategy, it is highly possible that under the strong leadership of the central authorities China will be the first country to see the establishment of a new structure of socialist commodity economy, and with it we will not disgrace our historical mission.

**Economist Lin Zili Interviewed on Reform**  
**HK2710063388 Beijing JINGJIXUE ZHOUBAO**  
*in Chinese 2 Oct 88 p 2*

[Article by staff reporters Wang Yunqing (3769 5686 7230) and Xue Manseng (1331 3355 7364); "The Train of Thought on Coordinated Reforms and Its Theoretical Basis—An Interview With Noted Economist Lin Zili"]

[Text] Reporter: You have always stood at the forefront of the study of the theory on China's economic reform

and relevant countermeasures. Over many years, you have developed your own theoretical system and unique style. At present, in the face of the new stage of reform, I very much want to know your viewpoint.

Li Zili: I welcome your posing this question.

**The Reform of Commodity Prices, Labor, and the System of Property Rights Must Be Coordinated and the Development of the Products Market and the Elemental Market Must Be Synchronized [subhead]**

Reporter: We may as well start with the problem of commodity prices which is a matter of great concern to people. There are many arguments about the cause of the rise in commodity prices. Your article laid emphasis on the deep-level cause of the rise in commodity prices: It is that an elemental market and the relevant mechanism have yet to be formed. This is also due to the interference of the old system. Therefore, price reform means not only the liberalization of the products market but also, more fundamentally, the development of an elemental market, or the reform of the labor system and the system of property rights. Can you clarify this?

Lin Zili: The cause of the rise in commodity prices may be interpreted, as far as different levels are concerned. What I mean by the deep-level cause is based on the realities of our country at present. In our country, we must further reform the labor system (including the employment, wage, welfare and insurance systems), in order to create a competitive labor market to put employment opportunities on an equal basis and bring remuneration in line with work. Only in this way can there be labor efficiency and a rapid increase in effective supplies arising therefrom. Increased consumption of various kinds exceeding the growth of efficiency can also be thus avoided, with a balance between demand and supply and the stability of the commodity price level maintained. Meanwhile, we must further reform the system of property rights, in order to put ownership on a commercialized and socialized basis; opportunities to use funds and land be put on an equal basis and returns from use brought in line with risk-taking. Only in this way can there be efficiency in the use of funds and land and also the stimulation of a rapid growth of effective supplies. This will avoid a swelling in investment and a drop in returns—with the random use, waste and loss of funds and a swelling in demand and the resultant shortage of supplies. In sum, the reform of the labor system and the system of property rights is a deep-level reform eradicating the fundamental cause of a rise in commodity prices.

Reporter: While touching on the deepening of reform, your article also stresses environmental control. Please tell me something about the relations between the two.

Lin Zili: An emphasis on the development of an elemental market, or the reform of labor and property rights in no way means neglecting the products market. The development of the products market is fundamentally a

matter of liberalizing commodity prices. Given a shortage of effective supplies, the total liberalization of commodity prices incurs quite a great risk. This is where the fundamental problem with reform lies. We call for developing an elemental market to make it grow at the same pace as the products market—which means accelerating the reform of labor and property rights. This is the way to tide over a difficult period, because the commercialization and socialization of labor and property rights is unlikely to increase the threat of a rise in commodity prices and would also create a favorable environment and conditions for the liberalization of commodity prices.

**Reporter:** Where lies the significance of an emphasis on environmental control?

**Li Zili:** The reform of labor and property rights is a deep-level reform and by nature tackles a tough problem. Its results cannot be seen immediately. A necessary process is involved. Moreover, the reform of labor and property rights, or the development of an elemental market, cannot proceed in isolation from the products market. Therefore, in the initial stage of the deep-level reform, or before the results of the reform of labor and property rights show through fully, we must take effective measures to carry out environmental control. These include certain measures on the reform of property rights worked out far ahead of time and measures that can show results in a short period of time—measures such as selling a portion of shares and bonds issued by state enterprises, selling public housing, raising interest rates, providing savings accounts used as a hedge against inflation, and so forth. But if we confine ourselves to these measures, they are not enough to reach the aim of controlling the environment. There is still the need to adopt, through government functions, various measures, including a cutback in mass organization consumption and the amount of investment in fixed assets, and the prevention of a drain on wealth. All these measures are aimed at creating a situation with a temporary balance between supply and demand, to facilitate the liberalization of commodity prices. A temporary balance so called, means that without a combination of the reform of labor and property rights and no linkup with the results of such a deep-level reform, a balanced situation cannot last long. Therefore, only with the reform of commodity prices linked with the reform of labor and property rights can we find the road to success in our country's reform. With reform having reached its stage today, it is difficult for single and shallow-level reforms to produce results. Only with things linked up with a deep-level reform can we head for success. This can be described as an important characteristic of the new stage of reform.

**Reporter:** Economic reform generally means the inclusion of three aspects: enterprise reform, the development of a market, and the establishment and perfection of macroeconomic functions. Is the reform of labor and property rights mentioned by you, in the category of enterprise reform?

**Lin Zili:** It is enterprise reform. But it is, at the same time, the development of a market. Moreover, this calls for the strengthening of government macroeconomic functions and an increase in efficiency. The implied meaning of the concept of the market is the independence of producers. If producers are not independent, then there is no general competition between them. Nor is there likely to be a real market. The modern concept of the market also suggests government macroeconomic functions. Therefore, the three—enterprise reform, the development of a market, and the creation of macroeconomic functions—are inseparable. The coordinated reform of labor, property rights and commodity prices points to the necessity of this kind of inseparability and synchronization.

**Reporter:** I have obtained a clear understanding. This is the big idea of the coordinated reform of commodity prices, labor and the system of property rights, and the synchronized development of the products market and the elemental market. After penetrating study, can you still say something about the theoretical background and theoretical basis for this idea.

**Lin Zili:** The theoretical background and basis mentioned by you means much. Reform bears on the future and destiny of our country. Only with a strong theoretical basis can we be firm in practice. As to the idea of the coordinated reform of commodity prices, labor and the system of property rights and the synchronized development of the products market and the elemental market, this is, first of all, based on observations and summations of our country's practice in reform. But observations of the historical experience of the development of the world commodity economy—especially the new characteristics that have appeared with the development of the commodity economy up to the present time—and an acquired understanding of the general laws of the commodity economy embodied therein, have inevitably formed an important background for our thinking. In addition, experiences and lessons related to reforms in various socialist countries, especially with the pattern of socialist theory involved, are something we cannot avoid pondering.

**Enlightenment From the Historical Experience of the Development of the World Commodity Economy [sub-head]**

**Reporter:** An unusually clear description of studies on the practice in our country's reform has been given above. It is hoped that you will say something further about the historical experience of the development of the world commodity economy and its significance.

**Lin Zili:** We are in a new era of the development of the world commodity economy. The commodity economy has gone through three important stages: 1) The commercialization of products. This process started before capitalism, but development was extremely slow. 2) The commercialization of labor. This has brought about a big leap forward

in the commercialization of products, marking the socialization of production and the development of accompanying capitalism. 3) The socialization of property in line with the socialization of production, and the formation of macroeconomic functions. This means the entry of the commodity economy into a new stage of development, or modern commodity economy.

In the development of modern commodity economy, we can see the contradiction of production being socialized and ownership of property being of a closed-door nature. Facts show that be it private or public ownership, so long as it is of a closed-door nature, or on a noncommercial and nonmarket basis, this will interfere with the perfect integration of different elements of production, interfere with the rational and full use of material resources, interfere with the formation of a perfect market system, and interfere with the effective operation of the social economy. This is to say that the socialization of production naturally calls for the socialization of property compatible with it.

Socialization of property is realized through the general separation of the function of operation from ownership. This kind of separation enables the function of operation to do away with the shackles of ownership to form a core independent of ownership, or a whole representing operation. Between this whole and the owner, is the relationship of equality in the exchange of commodities. This means the concrete form of an owner transferring the right of ownership to an operator, or the right of disposal of property, with remuneration or interest (stock dividends and land rent) received from the operator. The separation of operation and ownership appeared in history long ago, such as renting out land to tenants in feudal society, and separating industry capital from credit funds before capitalism. But the former was obviously not in the category of the commercialization of commodities. The latter also only showed the form of ownership being of a commercial nature and far from being fully developed. Only if all property, owned privately or publicly or owned by anyone, and on a large or small scale, is used by society, as in the modern commodity economy—with also only fundamental realization—can it be the socialization of property.

The socialization of property has solved the contradiction of production being of a social nature and ownership being of a closed-door nature, making for the further release of productivity. If it is argued that the socialization of labor once enabled the commodity economy at an early period to create tremendous wealth far greater than in the past, then the socialization of property has also enabled the modern commodity economy to achieve tremendous wealth far greater than the commodity economy at an earlier period.

On the basis of the socialization of labor and the socialization of property, given the perfection of the commodity economy market system, different kinds of income of the members of society would show through the market in the

form of the prices of labor and various other important elements. This would provide adequate objective conditions for macroeconomic functions, enabling the government to regulate various kinds of income and thus regulate economic relations and the operation of the economy and to even realize the strategy of development.

These fundamental characteristics of the modern commodity economy are a manifestation of the general laws governing the pattern of commodity production. This is to say that the development of the commodity economy will inevitably lead to the socialization of labor, the socialization of property, and the formation of macroeconomic functions. This process will not only generate tremendous productivity, but, at the same time, enable the relations between people to be relatively simplified and open, increasing the possibility of people choosing and controlling their own social economic relations. Within the limits of the effect of the law of the commodity economy, people can follow this law doing things that the market cannot automatically do, such as regulating economic relations and realizing the aim of development. This is to say the commodity economy will go beyond the set pattern of capitalism, as dictated by its own necessity. People are enabled to establish different economic relations and realize different goals, given the pattern of commodity production. This provides extremely important enlightenment to us in realizing socialism under conditions of the full development of the commodity economy, or establishing a new system and new order for the socialist commodity economy.

#### The Commercialization of Labor, the Socialization of Property, and the Upgrading of the Socialist Theory Pattern. [subhead]

Reporter: Is it that socialist theory needs to absorb the new experience of the modern commodity economy and develop and upgrade it?

Lin Zili: Since the commercialization of labor and the socialization of property are of a general, necessary nature, as far as the development of the commodity economy is concerned, then any version of a commodity economy, including the socialist commodity economy, cannot be an exception. This has been proved in practice in our country's reform. Yet traditional and even the contemporary pattern of socialist theory are not, or cannot be completely so.

In the latter period of the 19th century, or in the era when the founder of scientific socialism was still alive, the process of socialization of property compatible with the socialization of production had actually begun and manifested itself in the form of joint-stock companies. The emergence of the macroeconomic functions of the commodity economy was then forming a trend. The founder of scientific socialism took note of this fact and expounded its significance. But in those years, it was still difficult to recognize the contradiction of production being socialized and ownership of property being of a closed-door nature. It

was difficult to discover the extremely far-reaching significance of the socialization of property. It was especially impossible to notice the role of macroeconomic functions, because it had not become a fact. Thus, it was also impossible to study the problem of realizing socialism under conditions of the commodity economy. Therefore, the idea of socialism passed down to successors calls for the direct exchange of labor and direct distribution—not through the market, or not in the form of a commodity economy. Practice based on this idea ended up in failure, forcing socialist countries to step on the road of economic reform. The basic characteristic of certain theory patterns put forward by the scholars of some countries in a break-away from traditional doctrine calls for summing up the socialist economy as the relationship between planning and the market, or the so-called planning-market pattern. Such a pattern cannot spell out the unity between the commodity economy and socialism. The market or planning is in the category of the form of economic operation and does not represent an economic system. Moreover, based on this pattern, socialism seemingly can be a semi-commodity, or semi-market economy, and seemingly can rule out the existence of labor and property (ownership) as two elemental markets. Practice shows that a semi-market state can only appear in the transient period of the new replacing the old system, and is not the target pattern. Some countries are in the plight of new and old systems being long locked in a stalemate, with a low rate of growth and high commodity prices (high inflation) existing side by side. This cannot be considered not to be unrelated to the theory pattern. Our country's theory of reform, as far as its main trend is concerned, is different from the planning-market pattern.

The socialist commodity economy means the exchange of equal amounts of labor. This is to say that the socialist principle of equality of labor and equality of remuneration is indirectly and relatively realized through the market. To this end, we must accelerate the commercialization of labor and the socialization of property, create socialist macroeconomic functions, and regulate individuals' income from the right of ownership, and other unearned income. This means not only turning the ideal of socialism into reality but also gaining the market mechanism held by the commodity economy. It is in line with the principle of equality of labor and also allows a highly efficient new system. That means a socialist commodity economy pattern different from the planning-market pattern.

**Reporter:** It seems that the key to the deep-level reform lies in the commercialization of labor and the socialization of property and in the creation of the market mechanism. But some people say that the development of the market calls for a very long process. Your view on this problem is eagerly sought.

**Lin Zili:** As far as the history of some developed countries is concerned, the natural process of the formation of a market system, or a process from the commercialization of products to the commercialization of labor and again to

the commercialization and socialization of property is as long as two centuries. But we have now been placed in the era of a contemporary commodity economy. Just like backward countries, we want to absorb the latest (or secondhand) technological products of advanced countries. There is no need to retrace that long road once traversed by advanced countries. We must also do so in regard to the development of a market. If at the very outset, we start stressing the elemental market, enabling it grow at the same pace with the products market, then not a very lengthy period of time is required. As mentioned before, the carrying out of reforms under conditions of shortage also forces us to do so.

**Distinguishing Between 'Two Types of Deficits'**  
*HK2610024088 Beijing GUANGMING RIBAO  
in Chinese 8 Oct 88 p 3*

[Article by Bai Yihong (4101 0122 1347): "Distinguish Between Two Types of Deficits"]

[Text] Some comrades hold that China's deficits are not harmful but helpful and that maintaining a balance of revenue and expenditure is a conservative idea. In my opinion, we should not treat different deficits as the same thing. The most important thing is to gain a clear idea about the nature of deficits. Some Western countries are using the policy of deficits as a means to regulate the economy. This is a kind of deficit that can be made up. But China's deficit is a kind of hard deficit.

Why is China's financial deficit entirely different from that of Western countries? The main reason is that China's method of balancing the budget and its revenue and expenditure system are different from those of the West.

According to the Western countries' method of balancing the budget, the income from the national debt is not included in the regular financial revenue. Except for constructive government bonds, most national debts of Western countries are used as a means to make up financial deficits. Therefore, the deficit of Western countries is the difference between the financial revenue after deducting the national debt income and the financial expenditure, including the expenditure for repaying the national debt. According to China's method, the national debt is not a means to make up deficit but a regular income. Expenditure is balanced with revenue, which includes the income from the national debt. Thus, there is a difference between China's financial deficit and Western deficits: The expenditure born by the national debt is included in the financial deficit in Western countries, but not in our country.

In Western countries, the financial treasury is managed by the financial department or through a local or central bank agent. If it is managed by the financial department itself, expenditure can only be based on revenue. Without revenue there cannot be any expenditure. If it is managed by a bank agent, expenditure can also be based on the revenue from deposits only and there can be no overdraft without

credit, because overdrafts without credit mean uncompensated use of bank funds and are not permitted by the system of private ownership. If the deposits in the financial treasury are not enough for expenditure, it is necessary to immediately issue short-term treasury bonds or borrow money from the bank within a certain limit. Both treasury bonds and bank loans are based on state credit. In short, in Western countries, there are usually no deficits that cannot be made up.

In China, the financial treasury is managed through bank agents. Both bank funds and financial funds belong to the state. The bank funds are either collected from the additional allocations of credit funds to it or the profits it retains after tax levy. Thus, if the revenue or deposits of the financial treasury are not sufficient, money still can be spent through overdrafts. This has brought about the second difference between our financial deficit and that of the West: China's deficit is a kind of hard deficit resulting from overdrafts without credit, or a hard breach resulting from the insufficient regular revenue and an insufficient national debt (internal and external debts) income. But in Western countries, when the demand for expenditure is greater than revenue, they first raise funds through the national debt and then increase expenditure. Their financial deficits are soft deficits made up by the national debt. As a matter of fact, judged from the angle of our method of balanced budget, various kinds of deficit theories of Western countries are but component parts of the national debt theory.

The soft deficit made up by financial credit is a result of the development of commodity economy. With the development of commodity economy, all kinds of distribution channels in a form of credit are created. Thus, financial revenue is composed of the following two parts—unpaid income and credit income. If judged from the viewpoint that the expenditure for borrowing money should be included in the deficit, then the expenditure for financial credit should also be included in the deficit. But judged from the angle that the latter has certain financial sources, it can also be excluded from the deficit. Whether or not it is included in the deficit, it is based on financial credit and is an expression of financial credit in the balanced budget.

In Western countries, a large part of the soft deficit is used to make up the financial deficit. However, it is also often used as a means to intervene in economic affairs. This is because under the condition of the commodity economy, the state can only use the method of the commodity economy to intervene in economic affairs, that is, to make use of the relationship between borrowing and lending, which is a typical method of the commodity economy, to intervene in the commodity economy. The soft deficit, which is based on financial credit, thus becomes a means of the state to intervene in economic affairs. In this sense, deficit is actually applicable. In our country, this kind of deficit has actually been used very often since the founding of the state, only it is not called deficit.

Hard deficit, which is not made up by financial credit, is a mere expression of the difficulties in making arrangements for financial revenue and expenditure. It has nothing to do with the commodity economy and does not play any positive role in intervening in economic affairs.

But we still cannot say that the soft deficit of Western countries does not have any defects. When this deficit is continued for a long time, it results in the over-accumulation of debts, which causes a debt-repaying peak, which undermines financial stability. For this reason, Western countries are all making great efforts to control this deficit so that it will not exceed the rational limit.

Apart from seriously undermining financial stability, another inevitable result of China's hard deficit is inflation, which seriously distorts the structure of social distribution, market information, and the consumption structure, and brings about serious dislocations in the production setup.

Of course, China's hard deficit can also be changed. When conditions are created in the course of developing the commodity economy for developing financial credit on a large scale and all deficits can be made up by financial credit, China's hard deficit can also be turned into soft deficit. It will become a tool for raising construction funds and a means of the state finance to condition economic development. At present, the main task is to perfect and develop the issuance of treasury bonds, expand the scale of issuance, and actively develop external financial credit. At the same time, we may also encourage the public finance to borrow money from the bank. But this should be controlled within a certain limit so that it may not be turned into the issue of banknotes.

**Noted Academic on Improving Economic Environment  
HK2710073588 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 21 Oct 88 p 1**

[Report by reporter Wei Yanan (7614 0068 0589): "Professor Li Yining Speaks on Improvement of Economic Environment"]

[Text] The 3d Plenary Session of the 13th CPC Central Committee pointed out the need to improve the economic environment, rectify the economic order, and deepen reform in an all-around way. With this question in mind, I interviewed Professor Li Yining, dean of the Economic Management Department of Beijing University who participated in designing the state medium-term economic restructuring program.

Professor Li Yining said: Since the party Central Committee pointed out the need to improve the economic environment and rectify the economic order, there have been various reactions and comments at home and abroad. Some people say that China's reform has gone backward and so on and so forth. In my view, the 3d Plenary Session was convened at a very opportune moment. At a crucial moment in our economic reform, it adopted resolute

measures in light of the difficulties and problems. This is of decisive significance to the deepening of reform in an all-around way. The reform principles and policies defined at the meeting are very much suited to the current conditions in our country. They are conducive to the overcoming of difficulties and continued advance and will not lead to stagnation or the retrogression of reform. The general trend of reform cannot be reversed. With the improvement of the economic environment and the rectification of the economic order, the speed of reform will certainly be quickened.

He said: I understand that some people in the country, including some foreign friends, use the yardstick of price reform to judge the progress of economic reform. This is inappropriate.

Professor Li Yining pointed out: Reform is an integrated comprehensive project and only by making a comprehensive judgment can we arrive at a correct view. Next year, with the exception of price reform, which will be conducted more slowly, we shall continue deepening other aspects of reform. For example, the process of improving the enterprise contract system, instituting the joint-stock system, and setting up enterprise groups will be quickened. Optimum organization of labor is also a major reform. The reform of housing, the most important means of livelihood related to the people, will also be conducted. This is not a negative measure. In doing so we can not only reabsorb currency but, more importantly, stimulate changes in the consumption pattern, change the present practice of eating from the same big pot on the question of housing, and boost the growth of the building industry. In the future, the building industry will be a leading department of the state's important industries. An effective macroeconomic management system is also being instituted. It will certainly play the role of regulating demand and supply. If we look at it from these aspects, we will come to the conclusion that reform is still being deepened.

Talking about price reform, Professor Li Yining said: Price reform chiefly refers to the question of reforming the pricing mechanism, and changing the practice of the state fixing the prices into one of the market fixing them. Reform hinges on certain conditions. The first condition is that the enterprises must yield results. Only when they yield results can they withstand the effect of prices rises caused by price reform and ensure that state revenue and the income of the workers and staff members will increase. Moreover, there must be legislation guaranteeing competition under equal conditions. Otherwise, it will probably lead to spiraling rises in prices and wages and the emergence of various decadent and ugly phenomena. We are now stressing improvement of the economic environment, rectification of the economic order, and the deepening of enterprise reform. These are precisely the necessary preparations for the transition from a double-track price system to a single-track price

system when the conditions are ripe. In short, we cannot skirt round price reform. When the above-mentioned two conditions are ripe, success will come.

**Understanding Negative Phenomena in Economy**  
**HK2610030588 Beijing GUANGMING RIBAO**  
**in Chinese 13 Oct 88 p 3**

[Article by Zhang Jilin (1728 0679 2651): "Bureaucrat Racketeering Phenomena and Rent-Seeking Theory—Understanding the Negative Phenomena in China's Economy From a New Perspective"]

[Text] In China's economy there are some negative phenomena, of which bureaucrat racketeering is a conspicuous manifestation. Bureaucrat racketeers, big and small, have shown up openly in the circulation field, producing clouds with one turn of the hand and rain with another. In a short time, they have reaped exorbitant profits, producing an extremely bad impact on the social economy. Bureaucrat racketeering, a tumor in the circulation field, is regarded as one of the three public scourges in society today. Consequently, the subject of bureaucrat racketeering often pops up in street gossip. However, how much do people know about the bureaucrat racketeering phenomena?

**Rip van Winkle's Puzzle [subhead]**

Just like Rip van Winkle waking up from his dream, after stretching ourselves in the warm bed of the natural economy, we suddenly find ourselves in the stormy sea of the market economy. The old pricing system can no longer manage practical life today and people find it difficult to adapt themselves to the new standards of conduct in a short time. We are perplexed, alarmed, and puzzled by the many new phenomena in economic life, which may well be called a typical example of understanding the bureaucrat racketeering phenomenon.

With keenly felt pain, some people vehemently denounce bureaucrat racketeers. They hold that the phenomena of these people taking advantage of their position and power to seek personal gain are cases of corruption and degeneration tantamount to undermining socialism; it is necessary to round up the whole gang at one fell swoop and punish them according to the law. Some people even regard the bureaucrat racketeering phenomenon as an outcome of the commodity economy, holding that it is the result of practicing the market economy and that, since reform has brought about so many malpractices, it is better not to carry it out. Some other people nonchalantly hold that, like the practice of sending money wrapped in red paper, collecting kickbacks, and engaging in public relations, the bureaucrat racketeering phenomenon is a common practice in the commodity economy and something unavoidable in the course of marketization and, for this reason, there is nothing to be surprised at. There are also people who, linking the bureaucrat racketeering phenomenon with reform, hold that this is a necessary cost to be paid for

social progress and that we should not find fault with it because, if we negate this phenomenon, we will inevitably negate the general trend of reform.

This is indeed a perplexing age. Whether in vehement denunciation or nonchalant comments, people's understanding of the bureaucrat racketeering phenomenon is still very hazy. To date, many people describe the phenomenon as it stands but few people make indepth, scientific analyses. For this reason, few people can thoroughly explain the nature and root cause of the bureaucrat racketeering phenomenon and it is difficult to suit the remedy to the cause in the course of improving the environment.

However, there is one point which can be confirmed, namely, the two opposing views originate from the same source. Both link the bureaucrat racketeering phenomenon with economic restructuring, holding that the establishment of the market economy will inevitably muddy the waters and mix the bad with the good, bringing about corresponding malpractices while instilling vitality. As they see it, monetization of the national economy will inevitably wet people's greed and boost the old decadent phenomena to a certain extent and there is indeed such a problem in reality. If this is true, we shall have to make a painful choice: We should either reverse economic restructuring and pull back to the traditional structure the vitality which has been called forth, or go on carrying out the market-oriented reform and endure the puzzling phenomena like bureaucrat racketeering.

Is this matter really so? Perhaps we do not have a very clear understanding of the market economy. The principle guiding the market economy is competition under equal conditions. The bureaucrat racketeering phenomenon is obviously not the result of free and equal competition but is related to power. The power in the hands of bureaucrat racketeers, big and small, is tantamount to the special permits for the procurement of low-price goods. It violates the most fundamental principle and judgment of value in the commodity economy, namely, competition under equal conditions. If we look at the problem from this perspective, the bureaucrat racketeering phenomenon is not the inevitable outcome of the national economic market. It has emerged because the market regulation has been trampled upon and because an "invisible foot" has stepped on an "invisible hand."

#### An "Invisible Foot" Has Stepped On An "Invisible Hand" [subhead]

Adam Smith said: Conversations between people of the same trade often result in either plots against the public or plans to drive up prices. Here, he described another aspect of economic life and thus enabled us to have a comprehensive understanding of the entire process of economic operations. On the one hand, an "invisible hand" is guiding people in their economic activities; on the other hand, out of their selfish interests, people are

trying hard to prevent the "invisible hand" from functioning properly. Some people call the latter an "invisible foot." Obviously, we should thank J. Buchanan [bu kan nan 1580 0974 0589] and other initiators of the rent-seeking theory. From the theoretical plane they have systematically analyzed this "invisible foot" and provided us with a new perspective to profoundly understand the bureaucrat racketeering phenomenon.

The founding of the rent-seeking theory represented important progress in Western economics in the 1970's. For this, Buchanan was awarded a Nobel economic prize in 1987 [as published]. After World War II, many Western countries intervened in the market economy, while some other countries shifted from the ruling economy to the market economy. Consequently, a new phenomenon—state intervention in the market—emerged in economic life. The initiators of the rent-seeking theory used the method of integrating politics with the economy to make a fairly convincing analysis of the new phenomena that emerged following intervention in the market by the state. They have particularly developed the rent concept.

In traditional political economics, rent refers to agricultural land rent, which is a price difference resulting from a certain monopoly. In recent times however, rents refer to the rents of various essential production factors in general. In the rent-seeking theory, the concept of rent has been further evolved into the price difference created by administrative control. Because policy intervention and administrative control suppress competition and expand the difference between supply and demand, there is a differential income, namely rent. Because policy intervention and administrative control can create rent, people naturally use various means to undermine the environment for equal competition and look for a shortcut to obtain high rents. As a result, various legal and illegal rent-seeking activities, such as going canvassing, mediating, going through the back door, looking for backing, and offering bribes, emerged in large numbers. The bureaucrat racketeers take advantage of the special privileges in their hands to seek high rents for themselves. This phenomenon is not unique in the reform of the economic structure. There have been no lack of precedents in the course of shifting from the ruling economy to the market economy. For example, in India, the Philippines, and Latin American countries there have been seemingly recognizable phenomena.

We can thus see that the various negative phenomena, such as bureaucrat racketeering, which have emerged in China's economic life, are obviously neither the function of market regulations nor the result of regulation by the "invisible hand." On the contrary, this is the result of an imperfect market mechanism and the excessive intervention in the market by administrative power, the result of the "invisible foot" stepping on the "invisible hand."

**Political Economics of the Rent-Seeking Society [subhead]**

Rent-seeking activities characterized by bureaucrat racketeering represents a waste of national wealth and social resources. In particular, since some people can benefit from rents, they will try by every possible means to urge the government to establish all kinds of rents and to create rent demands for interest groups. These people will develop into a rent-collecting strata in society, breeding thousands upon thousands of bureaucrat racketeers and negative conduct. Moreover, the greater their benefit, the more unwilling they will be to deepen reform. At present, the major force obstructing price reform comes from the goods-supply departments which can reap benefits from price deregulation. This phenomenon has puzzled many people: Why is it that those who reap benefit from price reform should vigorously oppose it? When we use the rent-seeking theory to analyze this phenomenon, we suddenly see the light. It so happens that by preserving administrative control, these people can take advantage of the special privileges in their hands to obtain rents and that as soon as controls over the market are relaxed, their privileges and rents will come to naught. This rent-collecting strata has a good idea of how things stand after comparing the gains and losses.

In view of this, we should try to eliminate this rent-collecting strata from our economic life as soon as possible. But what should we do to find correct measures for improving the environment? The existing measures for improvements are basically ones of judging things as they stand and penalizing those driving up prices. People do not know that under the double-track system, the price difference between the same kind of articles is a matter of objective reality. Since there is such a price difference, it will be very difficult to determine and explain clearly the various methods people use to obtain it.

Some other people propose using legislative means to improve the commodity economic order and eliminate bureaucrat racketeering. But this legislation calls for a most basic economic environment—equality. Under the current double-track system, without an economic environment of equal competition, we do not know how to cast the net of the law. As the saying goes, the net of Heaven has large meshes, but it lets nothing through.

Let us change to another perspective. Rent-seeking activities and bureaucrat racketeering originate from state intervention in the economy. If we take this as a point of departure, we can see our ultimate way out clearly. That is to say, it is necessary to lift government administrative control over economic activities, relax price controls, improve the market, launch competition under equal conditions, and let the "invisible hand" give full scope to its role. Of course, administrative control is often indispensable in safeguarding the normal work of the social economy, but we should restrict it within the necessary scope. The aim of government control is not the conduct of economic operations itself. It is aimed at creating an environment for equal competition to coordinate the

individual reason of reaping the highest profit with the social reason of developing the economy. In short, it is necessary to eradicate the social cause of bureaucrat racketeering through market-oriented reform.

**Joint Circular on Financial Examinations Issued  
OW2610114188 Beijing XINHUA Domestic Service  
in Chinese 0751 GMT 21 Oct 88**

[Text] Beijing, 21 Oct (XINHUA)—The State Council has approved continued general examination of financial revenue in all levels of localities. The Auditing Administration, the Ministry of Supervision, and the Ministry of Finance issued a joint circular in this connection.

The circular outlines the main areas of this general examination, as follows: To determine problems of random interpretation of policy, tax reduction or exemption grants in violation of stipulations, and exceeding authority; falsification of financial records, retention of revenue, concealment or transfer of revenues, or manipulation of financial expenses and final financial accounts; unauthorized use of funds within or outside the state budget on capital construction outside of state plan, particularly funds to build office buildings, auditoriums, hotels, and reception centers; unauthorized expansion of tax categories, over-retention of tax revenues, random expenditure, and other wasteful extravagance in violation of stipulations; and violation of stipulations and discipline in the area of financial income on the part of financial and taxation organs.

This time the general examination of local financial revenues will be carried out as before, that is, through a combination of in-house general inspection and selective inspection. Auditing organs will again carry out selective inspections of financial income and expenses at lower level organs on the basis of in-house general inspection. Selective inspection should reach 30 percent of total inspection. In-house examinations should be completed before the end of next February. The results of in-house examinations and consequent corrections based on in-house examinations should be submitted to higher-level auditing, supervision, and financial departments. The work of selective inspection should be completed before the end of next May. Those who are found to have violated discipline will be given economic and disciplinary punishment.

**Supervision Ministry Fines Illegal Profiteers  
OW2610115588 Beijing XINHUA in English  
1044 GMT 26 Oct 88**

[Text] Beijing, October 26 (XINHUA)—Thirteen state companies have been fined for illegal profiteering following an investigation by the Ministry of Supervision and the State Administration for Industry and Commerce.

The companies involved were all found to have exploited "administrative loopholes" to buy scarce raw materials and government-controlled goods and then resell them for their own profits.

Between January 1984 and December 1987, the Changsha Textile and Industrial Materials Company in Hunan Province bought 405,295 tons of imported polyester fibers, silk, cotton and wool from a company making goods for tourists. It then was found to have resold them to chemical manufacturers for profits of 2.96 million yuan.

The company was fined 148,000 yuan and had the illegal profits confiscated by the local industrial and commercial bureau.

The company's two managers, Li Yunhui and Guang Yingke, who were held responsible, were demoted.

The Metal Material Company in Inner Mongolia was fined 50,000 yuan and had about 600,000 yuan of illegal profits confiscated after it was found to have speculated in state-controlled raw materials.

The company's manager Guo Hongyuan and deputy manager Liu Liancheng were dismissed from their posts.

**Construction Crackdown Achieves 'Initial Success'**  
*HK2710020488 Beijing CHINA DAILY in English*  
*27 Oct 88 p 1*

[By staff reporter Ma Lixin]

[Text] The nationwide crackdown on capital construction has achieved initial success in its first month.

More than 100 projects, including seven Sino-foreign joint ventures, have been cancelled or postponed, saving a total of some 900 million yuan, according to incomplete reports to the National Capital Construction Inspection Office of the State Council.

Most of the 105 projects outlined in the reports were office buildings, hotels or other non-productive structures.

Ten inspection teams of central government officials will be dispatched throughout the country from November 1 to "guide local governments in the selection of projects to be cancelled," said Gan Ziyu, deputy director of both the inspection office and the State Planning Commission.

The Sino-foreign joint venture projects cancelled were all tourist hotels in Guangzhou, Guangdong Province, involving a total construction space of 650,000 square metres and an investment of about \$54.5 million.

The nation's major banks, including the Construction Bank of China, the Industrial and Commercial Bank of China and the Agricultural Bank of China, also issued urgent orders to their branches nationwide to stop loans to projects banned by the central authorities.

Gan, who quoted Premier Li Peng's speech at a top government meeting, said at the first working conference of the special State Council office on Tuesday that the over-expansion of capital construction projects was the

major cause for the current raging inflation. He said that curbing these projects nationwide would therefore be the most effective measure to control inflation and rebuild China's economic order.

A list of the types of projects to be curtailed—most notably those which are non-productive or dependent on imported materials—was announced earlier this month. Many projects on the list are facing or have already received orders of postponement or cancellation.

Then ten inspection teams will return by the end of next month with detailed information concerning the number of projects that have been stopped and the amount of money saved.

The money will be used in more vital industries.

He reiterated that no capital construction project, including Sino-foreign joint ventures, would be permitted to be launched in the next few years.

Reactions among ordinary people toward the crackdown have been encouraging, with many saying they are glad to see the government taking severe measures to alleviate the tension between demand and supply.

However, people whose regional or personal interests are affected have been busy lobbying to avoid having their projects "killed." Some defied the central government's order and started their projects right after they learned about the crackdown, the official said.

**Laws 'Needed' To Halt Fake, Shoddy Goods**  
*HK2610013688 Beijing CHINA DAILY in English*  
*26 Oct 88 p 3*

[By staff reporter Liang Chao: "Laws Urged To Halt Bogus Products"]

[Text] Special laws and regulations are needed immediately to halt the making and selling of fake and shoddy products, an official urged yesterday.

Zhang Mingfu, division chief of the Market Administration Department under the State Administration for Industry and Commerce (SAIC), told CHINA DAILY that the problem of fake goods is serious.

The range of fake goods has developed from some name-brand daily necessities to industrial and agricultural products. These include automobiles, electronic products, bulldozers, tractors, chemical fertilizers, pesticides and seeds, the official said.

A survey conducted in the country's nine major provinces showed that 4,769 cases of making and selling fake products have been discovered during the first half of this year.

Of these, 1,912 were major cases. They accounted for 22 percent of the country's serious cases of profiteering during this period.

An urgent circular on farm seeds will be issued by the SAIC and the Ministry of Agriculture, according to Li Meisen, director of the ministry's seed division.

Farm seeds, especially of hybrid rice, will be in short supply because of floods and droughts. Some people are trying to profit because of the shortage.

Some seed companies and agricultural scientific research institutions under the ministry have been selling shoddy seeds.

Li said this must be stopped. Officials and institutions involved in such activities will be severely punished, he said.

Li said a seed regulation, the first of its kind in the country, has been drafted by the ministry for approval by the State Council.

One of the major characteristics of making and selling fake products this year is that more and more State-and township owned enterprises, and even some local government and Party officials have participated in such activities, Zhang of the SAIC pointed out.

In Heilongjiang, Shandong and Hebei Provinces 45 percent of the cases discovered by the SAIC involved these enterprises and officials.

The technology of producing fake goods has improved greatly and many advanced technologies have been adopted. People in Guiyang, capital of Guizhou Province, have imported foreign machinery to produce fake name-brand liquor, the SAIC official said.

The problem is so serious that farmers in Shandong Province and other places engaged in sit-down demonstrations to urge the government to protect their interests.

The problem cannot be stopped now because a special law to crack down on it has not enacted, the official said.

**Motor Vehicle Production Continues to Rise**  
*OW2710010788 Beijing XINHUA in English*  
*0854 GMT 26 Oct 88*

[Text] Beijing, October 26 (XINHUA)—Production of motor vehicles has been rising steadily this year, a trend which will continue next year, today's "PEOPLE'S DAILY" reported.

Altogether, 277,900 motor vehicles were built in the first half of this year, up 35 percent from the same 1987 period, the paper quoted Zhang Lianyou, deputy general manager of the China Automotive Trading Corporation, as saying.

A total of 363,600 motor vehicles were sold nationwide in the first months of this year.

Zhang predicted that 560,000 vehicles, excluding imported vehicles, will be sold in China this year, almost one-third more than last year.

"I think China's motor vehicle market will show a steady increase next year, while prices will go up slightly," Zhang said.

**Corporation To Strengthen Hydropower Construction**  
*HK2610145988 Beijing CEI Database in English*  
*25 Oct 88*

[Text] Beijing (CEI)—China has set up a water conservancy and hydropower engineering corporation to strengthen China's hydropower construction.

The shortage of coal and related difficulties in thermal power supply have provided a best opportunity for the development of hydropower, though they have bad effects on China's economy, Liu Shutian, chairman of the board of directors of the company said last weekend.

He said that many thermal power plants have been built in China in recent years but the construction of hydropower plants lags far behind. This has caused serious problems such as traffic jams and pollution.

It is estimated that China will face serious shortage in coal supply in the early 1990s and it has become an urgent task for China to step up hydropower development.

The new company is an economic entity that assumes sole responsibility for its profits and losses. It has 19 enterprises in charge of hydropower construction and machinery building.

At present, China's hydropower installed capacity is more than 30 million kilowatts, 30 percent of the total electric generating capacity. The annual hydropower electric energy production is 100 billion kilowatt-hours.

**Agricultural Supplies Improve, Prices Rise**  
*OW2710004988 Beijing XINHUA in English*  
*0901 GMT 26 Oct 88*

[Text] Beijing, October 26 (XINHUA)—China has eased shortages of agricultural inputs including chemical fertilizers, plastic sheets, and pesticides, but prices have risen as well, according to a senior official.

Sales of such goods came to 33.47 billion yuan (about 900 million U.S. Dollars) in the first 9 months of this year, said Li Deshen, general manager of the China Agricultural Capital Goods Corporation.

This represented a 30 percent increase over the same period in 1987.

Sales of chemical fertilizers rose 7 percent and plastic film 16 percent, but pesticides dropped 4 percent, Li said. He said that prices of these products have risen but he did not give details.

Authorities in 15 provinces including Sichuan and Jilin have monopolized the handling of chemical fertilizers, plastic sheets, and pesticides in a bid to stabilize the market and prices.

The Chinese Ministry of Commerce is formulating measures to continue to ease the shortages of agricultural inputs and to stabilize prices, Li said.

**More Cities, Counties 'Opened' to Foreigners**  
*OW2710043888 Beijing XINHUA in English*  
*1237 GMT 23 Oct 88*

[Text] Beijing, October 23 (XINHUA)—China opened another 38 cities and counties to foreigners today, making the total to 542, said a spokesman for the Ministry of Public Security.

According to the Chinese law on the entry and exit of foreigners, foreigners with valid visas or residence cards may travel in these areas without applying for travel permits.

The newly opened cities and counties are:

Enshi, Lichuan and Zhicheng Cities, and Badong, Xianfeng, Jianshi, Dangyang, Zhijiang, Yichang, Xingshan, Zigui, Jiayu, Yunxian, Changyang Tujia and Wufeng Tujia Autonomous Counties in Hubei Province;

Gejiu and Kaiyuan Cities, and Eryuan, Jianchuan, Binchuan, Lufeng, Wuding, Yuanmou, Nanhua, Yongren, Dayao, Yaoan, Jianshui, Mile, Luxi, Yongsheng, Jianchuan, Chengjiang and Weishan Yi-Hui Autonomous Counties in Yunnan Province;

Heihe City and Wuchang, Shangzhi and Suileng Counties in Heilongjiang Province.

**Comparison of Zhao Ziyang Gives Speech**

Beijing RENMIN RIBAO in Chinese on 23 October carries a 3,000 character item entitled "Zhao Ziyang's Congratulatory Speech at the 11th Congress of All-China Federation of Trade Unions (22 October 1988)." This version has been compared with the XINHUA Domestic Chinese version published in the 24 October 1988 China DAILY REPORT, pages 19-22, revealing the following variations:

Page 19, first column, first paragraph: [Text] Comrades! [new paragraph]

The 11th National...[noting deletion of dateline]

Page 20, first column, first partial paragraph: ...year will be notably smaller than this...[noting additional word]

Same page, first column, paragraph two, first sentence: ...conduct a nationwide campaign to educate...[noting additional words]

Page 21, first column, paragraph three, last sentence: ...trade union cadres as existing in some localities. [noting variant wording]

Same page, column two, paragraph two, sentence five: ...workers' vital interests and seriously heed the opinions of trade unions. In recent years...[noting additional words]

### East Region

#### Fujian's Chen Guangyi Meets Non-CPC Members

OW2610032388 Fuzhou Fujian Provincial Service  
in Mandarin 1100 GMT 19 Oct 88

[Text] The provincial party committee sponsored a meeting of non-CPC members this morning to relay to them the guidelines set at the 3d Plenary Session of the 13th CPC Central Committee.

Chen Guangyi, secretary of the provincial party committee, attended the meeting. He spoke on the guidelines of the 3d Plenary Session of the 13th CPC Central Committee and the work arrangements made in the province for implementing these guidelines.

Comrade Chen Guangyi said: Democratic parties and public figures are deeply concerned about the work of improving the economic environment and rectifying economic order in our province. Many comrades have offered very good opinions and suggestions on how to strengthen market management, control commodity prices, curb society's demands, eliminate overheated economic growth, and keep party and government organs free of corruption. We shall assimilate and accept these opinions and suggestions in doing our work.

Comrade Chen Guangyi continued: Improving the economic environment and rectifying economic order is a major task. To do so, we require the able support of all social sectors. The provincial party committee welcomes all democratic parties and public figures to join the work of improving the economic environment and rectifying economic order, and supervising the party and government organs at all levels in keeping themselves incorruptible.

Today is the Double Ninth Festival [ninth day of the ninth lunar month] and also the first Respect for the Elderly Day in our province. When the meeting began, Comrade Chen Guangyi extended cordial regards to the old comrades attending the meeting. He also wished happiness, good health, and longevity to all old people in the province.

The meeting was presided over by Xu Jimei, vice chairman of the provincial CPPCC Committee. Among those attending the meeting were leading comrades of the provincial People's Congress and the provincial CPPCC Committee who are not CPC members; responsible persons of democratic parties, the provincial federation of industry and commerce, the provincial federation of returned Overseas Chinese, the provincial federation of Taiwan compatriots, and other organizations in the province; as well as patriotic personages without party affiliation, including Guo Ruiren, Huang Changxi, Kang Beisheng, Liu Yongye, Chen Xizhong, Ni Songmao, Lu Haoran, and Chen Yangzeng.

#### Shanghai Mayor on Improving Economic Environment

OW2610010688 Shanghai City Service in Mandarin  
2300 GMT 18 Oct 88

[Text] At the 18 October municipal mobilization meeting for straightening up the fixed assets investment projects, Mayor Zhu Rongji addressed three questions. Mayor Zhu said: Cutting down the scope of fixed assets investment is a positive, not negative, measure to improve the economic environment. All departments and all units should take the initiative to reduce office buildings, halls, guesthouses, hostels, and other duplicated projects; otherwise they will fail to guarantee the availability of circulating funds needed for production and the construction of key projects and urban infrastructure projects which are indispensable in readjusting the industrial structure. Because of the tight money market across the country, we will have to make up our mind eventually if we do not make up our mind now; therefore, we had better take the initiative.

Mayor Zhu emphatically pointed out: The principal difficulties facing Shanghai today are the acute shortages of energy resources and raw and processed materials. We have great difficulties in transporting some farm produce and sideline products, and funds are also in short supply. We must seriously solve these problems and never lower our guard. In addition, we must notice that the general trend of Shanghai's development is full of hope. Shanghai's economic growth in the January-September period was 8.3 percent, and, when village-run industry is factored in, it is 6.6 percent, still higher than the growth rate in the past few years. This is not easy. If we keep on making efforts, we estimate that the 1988 economic growth rate can reach 8 percent, or around 7 percent when village-run industry is factored in. This is entirely possible. Although our revenues are still decreasing, there is some improvement. It is estimated that this year's revenues will reach 15.3 billion yuan and that we can certainly strive to fulfill the task of delivering 10.5 billion yuan as contracted to the state. Our market supply is stable, and the situation of farm and sideline product production in the suburbs is also good. We should have confidence in our current situation.

Mayor Zhu noted: It is necessary to maintain our stable economic development by improving our economic environment, straightening up our economic order, carrying out in-depth reform, guaranteeing and promoting the campaign to increase production and practice economy and to increase revenues and retrench expenditures, and check the rise of commodity prices. We must make good use of the remaining 2 and ½ months of this year, strive hard to push forward our industrial production and revenues, and guarantee the fulfillment of the task of delivering 10.5 billion yuan to the central authorities.

**Shanghai Issues Circular To Curb Extravagance**  
*OW2710065588 Shanghai City Service in Mandarin  
2300 GMT 18 Oct 88 Oct 88*

[Text] The Shanghai Municipal CPC Committee and Municipal People's Government recently issued a circular to party and government organizations in Shanghai on launching an in-depth campaign to increase production, practice economy, increase revenue, and reduce expenditure and to strictly forbid waste and extravagance. The circular called on all trades and businesses to launch a similar campaign, strive to raise economic efficiency, try every means to increase production in the fourth quarter, as well as in exports and market supply, and ensure the fulfillment of financial contracts for the fourth quarter. Departments and units, while fulfilling this year's task, should be well prepared for production in the first quarter of next year.

The circular stresses: We should attach importance to efficiency, while avoiding waste and extravagance in all areas of work. We should firmly reduce institutional purchases, strictly control consumption funds, and take forceful measures to avoid massive spending at the end of the year and during holidays. Departments, units, and enterprises are advised not to hold anniversary-marking ceremonies, let alone indulging in feasting, gift-giving, and other wasteful extravagances in the name of marking anniversaries. Individual grassroots units which, because of special circumstances, want to hold anniversary-marking ceremony should get prior approval from their competent departments; districts, counties, and departments at municipal-level wanting to hold anniversary meetings should get prior approval from the municipal party committee and municipal government. We should change the practice of placing big greeting advertisements in the newspapers on various pretexts. Party and government organs are forbidden to place such advertisements in newspapers. In addition, we must strictly control the number of commendation activities and improve the method of commendation. To save funds and improve efficiency, we should try our best to cut the number of commendation activities.

**Central-South Region**

**Guangxi Leader Relays Spirit of Central Meetings**  
*HK2710054388 Nanning Guangxi Regional Service  
in Mandarin 1100 GMT 26 Oct 88*

[Excerpts] The regional party committee held a forum of non-party figures in Nanning on 24 and 25 October to consult with them on implementing the spirit of the Central Work Conference and the 3d Plenary Session of the 13th CPC Central Committee. [passage omitted]

During the meeting, regional party committee Secretary Chen Huiguang relayed to the participants the spirit of the Central Work Conference and the 3d Plenary Session of the 13th CPC Central Committee. He said: The main thrust of these conferences was that they fully analyzed

the current situation in China's economic reforms and construction and proposed the guiding principle and the policies and measures on improving the economic environment, rectifying the economic order, and comprehensively deepening the reforms. They decided that the focus of reforms and construction next year and the year after will be resolutely and emphatically placed on improving the economic environment and rectifying the economic order.

He said: Improving the economic environment and rectifying the economic order mainly mean cutting total social demand and curbing inflation. We must resolutely cut investment, take stock of projects under construction, resolutely reduce institutional purchasing power, control the excessively rapid growth of consumption funds, and strictly control currency in circulation and credit. We must curb the trend of indiscriminate price hikes. We must screen companies of all kinds, and establish a circulation system for the major products. To succeed in all this, we must unify our understanding. [passage omitted]

**Hainan Leader Promises Crackdown on Corruption**  
*OW2610120988 Beijing XINHUA in English  
1047 GMT 26 Oct 88*

[Text] Haikou, October 26 (XINHUA)—The government of Hainan, China's newest province, will mete out harsher punishment to government functionaries who abuse their powers, take bribes, profiteer from land sales or are involved in other law-breaking activities.

Xu Shijie, the provincial Communist Party secretary, said this here today.

He told reporters from the Hong Kong-based "WEN WEI PO" newspaper: "We will further promote political democracy and open more channels to funnel citizens' reports of corruption to the highest authorities."

Xu said he believed that the current nationwide campaign to improve the economic environment and rectify the economic order will be conducive to the economic growth of Hainan, China's second-largest island after Taiwan.

So far, companies registered in the province number over 2,000 and a handful of them have been engaged in profiteering, Xu said.

"This has hampered the implementation of the open policy here," he said. "We will have to screen such companies to create a better environment for investment."

According to the secretary, the provincial government has already set up a screening organ to settle cases involving such companies.

But Xu also said that preferential policies given to the province by the central government will remain unchanged, and the scale of capital construction, credit and introduction of foreign funds will not be cut.

The checking of the overheated economy on the mainland will not slow the economic development of the island, where two billion yuan is planned for investment in capital construction this year.

"We will be satisfied if we can spend 1.7 billion yuan on the planned projects by the end of this year," Xu said.

**Henan Opens Party Plenary Session 25 Oct**  
*HK2610013788 Zhengzhou Henan Provincial Service  
in Mandarin 2300 GMT 25 Oct 88*

[Excerpt] The Eighth Enlarged Plenary Session of the Fourth Henan Provincial CPC Committee opened in Zhengzhou on 25 October. The main purpose of the session is to relay and study the spirit of the 3d Plenary Session of the 13th CPC Central Committee and the Central Work Conference and discuss and study specific views on implementing it in conjunction with Henan realities. Cheng Weigao, deputy secretary of the provincial party committee, presided at the session. Secretary Yang Xizong made an important speech.

Comrade Yang Xizong's speech was in five parts: 1) Bring the thinking of the whole party into line with the spirit of the central plenary session and firm up resolve and confidence for improvement and rectification work. 2) Under the premise of upholding the general orientation of reforms, seriously improve the economic environment and rectify the economic order. 3) Comprehensively deepen the reforms and promote economic development. 4) Tangibly improve and strengthen ideological and political work in the course of improving the environment and rectifying the order. 5) Tangibly strengthen party leadership to ensure the smooth progress of improving the environment, rectifying the order, and deepening the reforms.

Leading comrades present at the session included Zhao Di, Yao Minxue, Hu Xiaoyun, Lin Yinghai, Zhang Zhigang, Hou Zhiying, Qin Kecai, Song Zhaosu, Han Jingcao, Zhang Chixia, Lin Xiao, and (Tian Jiming). [passage omitted]

**Guan Guangfu Views State of Hubei Universities**  
*HK2610145088 Wuhan Hubei Provincial Service  
in Mandarin 1000 GMT 25 Oct 88*

[Excerpt] On 20 October Secretary Guan Guangfu, Deputy Secretaries Guo Zhenqian, Zhao Fulin and Qian Yunlu of the provincial party committee; Vice Governor Han Hongshu; Mayor Zhao Baojiang of Wuhan City; and other provincial and Wuhan City responsible comrades held discussions and dialogues with persons responsible for universities and colleges, who attended

the Ninth Enlarged Plenary Session of the Fourth Provincial CPC Committee, with the purpose of soliciting their opinions and demands and helping them overcome difficulties in order to free them from anxieties.

Following the dialogues, responsible comrades of the provincial party committee spoke on work of the universities and colleges. Guan Guangfu said: The present situation in universities and colleges in Hubei is good, marked by stability and unity; and students are in stable settle. Universities and colleges in Hubei have many good ways of doing things in conducting education in the current situation of reforms, improving the campus order, establishing a backbone contingent of students, bringing the role of teachers into full play, giving scope to the advantages of intelligence and science and technology enjoyed by universities and colleges to serve economic construction and social life, and strengthening the grass-roots party branches. He also hoped that all universities and colleges would sum up their experiences in earnest and add to their achievements. Referring to the tasks ahead, Guan Guangfu stressed: We must give priority to education in the current situation, continue to run schools with strictness, and deepen education reform. [passage omitted]

**Hubei To Reduce Capital Construction**  
*OW2610003688 Beijing XINHUA Domestic Service  
in Chinese 1530 GMT 19 Oct 88*

[By reporters Zhou Dongai and Zhang Songqing]

[Text] Wuhan, 19 Oct (XINHUA)—Guan Guangfu, secretary of the Hubei Provincial CPC Committee, told leading cadres of provincial departments, prefectures, cities, autonomous prefecture [zhou 1558] and counties today that the province will reduce its investment in fixed assets next year by 20 percent, or 1.5 billion yuan, on the basis of this year's figure.

In the preceding period, organizations directly under the provincial authorities had suspended the construction of 22 office buildings, auditoriums, guesthouses and other non-productive projects. Various prefectures, cities, and autonomous prefectures also decided to suspend the construction of 34 projects. They have thus saved 447 million yuan. Guan Guangfu described the savings as just the beginning of the screening of construction projects. He emphatically pointed out: The construction of any non-productive projects, productive projects where it is likely there will be raw materials shortages, or low efficiency, high energy consumption industrial projects under state restrictions, particularly office buildings, auditoriums, and guesthouses that have been started this year, must be suspended and must not be resumed in the next 3 years. The construction of small textile mills and small thermo-electric power plants should also be screened and resolutely discontinued. It is necessary to screen all projects approved by leading cadres at various levels and to suspend or cancel what

should be suspended or canceled. The financial department and banks should stop appropriation for suspended or canceled projects. The material supply department should stop material supply and recover unused materials if a project has been suspended or canceled. The auditing department should continue auditing suspended or canceled projects. The planning department should inspect and supervise the suspension or cancellation. Whoever feigns compliance should be removed from office, investigated, and punished.

Guan Guangfu said: To reduce the scale of capital construction by 20 percent is for the purpose of readjusting the investment structure and for spending limited funds on building necessary infrastructure, increasing the production of products in short supply, and strengthening the basis for further economic development. The provincial party committee has decided to increase the investment in farmland and water conservancy projects by 30 million yuan next year, as compared with this year, in order to strengthen the weak links of economy and maintain long and steady economic development in the province.

### Southwest Region

#### Campus Official Interviewed on Guizhou Incident HK2710110888 Hong Kong AFP in English 1102 GMT 27 Oct 88

[By Pierre-Antoine Donnet]

[Text] Beijing, Oct 27 (AFP)—Some 2,200 students and teachers demonstrated for several hours in Guiyang, southern China, to protest campus violence and demand respect for "human rights," an official source said Thursday.

Starting from Guizhou University, they marched 20 kilometers (12 miles) to provincial government headquarters on October 17, an official of the campus Communist Youth League branch said by telephone.

They demanded that those responsible for a campus brawl three days earlier be punished, underscoring their feelings with placards that read "Punish the guilty" and "Respect the law; punish those who make violence."

They also shouted slogans demanding protection for "the human rights of intellectuals," the Communist Youth League official said.

The students submitted a list of six demands to the Guizhou provincial government, including one that called on the official press to "report the facts objectively," she said.

Thirty-one people had been hurt, four of them seriously, in the night-time brawl initiated by students at a hotel school located at the university, the official GUIZHOU DAILY said in an edition received here Thursday.

Seven "assailants" were arrested, it added.

Reached by telephone, a spokesman for the Guizhou provincial Foreign Affairs Bureau said he had nothing to say about the incident.

The demonstration was the first student protest known to have occurred in China since June when 2,000 Beijing University students held a night march in the capital to protest the fatal beating of a colleague.

In December 1986 students marched in several Chinese cities for greater political democracy and freedom of expression. The authorities reacted the following month with a campaign against Western influences.

The Communist Youth League official, a student who requested anonymity, said a professor had been detained during the brawl, and that students—while resuming their classes—were pushing for his release.

"We students are waiting to see what happens. If all this is not settled in a satisfactory way, the students will not accept it," she said. "If the safety of intellectuals is not guaranteed, what can we do?"

The GUIZHOU DAILY report did not refer to the professor.

The October 14 brawl lasted several hours as students at the hotel school—"almost all of them sons of cadres," the Communist Youth League official said—arrived in numbers at a university dormitory in an aggressive mood.

When police arrived and tried to free some hotel school students who had been "taken hostage," the university students and professors responded by throwing stones at police vehicles, the official said.

It was during this ruckus that the professor was arrested, she said.

#### Guizhou Leader Stresses Curbing Spending HK2710011788 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 26 Oct 88

[Text] Provincial party committee Secretary Hu Jintao wrote an important comment on 26 October after reading a report in GUIZHOU RIBAO which stated that institutional purchasing throughout the province has increased and progress in investigating and dealing with violations of controls and standards has not been smooth. The comment said: The provincial finance department must resolutely carry out the decision of the provincial party committee and government. In the next few months, there will be no approvals for purchases of commodities subject to special controls. It is necessary to clear away interference and continue to get a good grasp

of investigating and dealing with typical cases of violating controls. It is necessary to confiscate the commodities concerned and hold the leaders responsible in cases where units go their own way and continue to violate financial and economic discipline since the State Council issued its decision on 16 October.

According to the report, in the past week and more, the provincial office for controlling institutional spending has been besieged by more and more people demanding to buy automobiles, video equipment, color television sets, sofas, and so on on behalf of their units and departments. Certain poor counties have also sought to buy automobiles, citing various pretexts. At present, the progress of this office's work in investigating and dealing with violations of controls and standards is far from smooth, since so many people are asking favors and there is a great deal of interference from outside. Certain units even refuse to cooperate with the office.

Comrades Wang Chaowen and Liu Zhengwei have agreed with Comrade Hu Jintao's view and have demanded that the finance department act accordingly.

### North Region

**Beijing CPC Plenary Session Continues 12 Oct**  
**SK2610105088 Beijing BEIJING RIBAO**  
**in Chinese 13 Oct 88 p 1**

[Text] The Fourth (Enlarged) Plenary Session of the Sixth Beijing Municipal CPC Committee continued on 12 October. Li Ximing, secretary of the municipal party committee, presided over the session.

On behalf of the Standing Committee of the municipal party committee, Chen Xitong, deputy secretary of the municipal party committee and mayor of the municipality, delivered a report on the municipality's economic situation and the municipal proposal for improving the economic environment, rectifying the economic order, and comprehensively deepening reform worked out in accordance with the central authorities' unified arrangement. The report, "Improve the Economic Environment, Rectify Economic Order, and Promote Beijing Municipality's Reform And Construction," includes three parts: 1) Although the current economic situation in Beijing Municipality is good, on no account must we underestimate the difficulties and problems in the course of advance. 2) We should resolutely implement all measures set forth by the central authorities; improve the economic environment, rectify the economic order; and create fine conditions for the profound development of price, wage, and other reforms. 3) We should take the whole situation into consideration, strictly abide by discipline, and deepen reform.

Group meetings to discuss the report were held on the afternoon of 12 October.

Wang Xian, chairman of the municipal Advisory Commission; Zhao Pengfei, chairman of the municipal People's Congress Standing Committee; Xu Weicheng and Wang Jialiu, deputy secretaries of the municipal party committee; and Zhang Jianmin, Li Zhijian, and Yuan Liben, members of the Standing Committee of the municipal party committee, attended the session.

**Beijing's Li Inspects Town Damaged by Hailstorm**  
**SK2610064588 Beijing City Service in Mandarin**  
**1000 GMT 7 Oct 88**

[Text] On the afternoon of 6 October, Li Xianing, secretary of the municipal party committee, made an inspection tour to the (Zhaotianying) township of Shunyi County, which was hit by a hailstorm on 4 October, to express sympathy and solicitude for the town's suffering and to learn about the disaster.

During his tour, he first looked at the damaged cabbage crop the other vegetables, and autumn wheat on the 1,200 mu of farmland. Then he told the peasants that they should reserve the cabbage crop that can be reserved, that efforts should be made to further enhance field management, and that farmland whose cabbage crop cannot be reserved should be replanted with other crops as soon as possible. Farmland reserved for planting wheat should be vigorously planted as soon as possible.

During his tour, he also visited the township government to inquire about the situation in agricultural production, enterprise development, and the peasants' livelihood.

**Beijing's Li at Forum of Nonparty Personages**  
**SK2610092588 Beijing BEIJING RIBAO**  
**in Chinese 7 Oct 88 p 1**

[Text] On 6 October, the Beijing Municipal CPC Committee held a forum of nonparty personages to report on the situation of reform and progress in deepening reform.

Li Ximing, member of the Political Bureau of the CPC Central Committee and secretary of the municipal party committee, relayed the guidelines of the 3d Plenary Session of the 13th CPC Central Committee and the Central Work Conference, and reported the municipality's progress in deepening reform. He said: The progress of reform must not be reversed or shaken, although there are many difficulties. So far, democratic parties of the municipality have basically shifted their terms in accordance with the principle of replacing the old with the new. He urged democratic parties to bring their roles into greater play in the course of reform, unite with each other, and make concerted efforts to overcome difficulties.

Attending the forum were leading comrades of the municipal party committee, the municipal People's Congress Standing Committee, the municipal government,

and the municipal CPPCC Committee, including Bai Jiesu, Wang Jialiu, Li Guang, Yuan Liben, He Luli, Guan Shixiong, Li Bokang, Sun Fuling, Xia Xiang, and Cheng Zhongyi.

Attending the forum were responsible persons of the municipal democratic parties, delegates to the national congresses of democratic parties, nonparty patriotic personages, and personages of nationalities and religious circles.

**Beijing's Li on Ideological, Political Work**  
*SK2610095688 Beijing BEIJING RIBAO*  
*in Chinese 12 Oct 88*

[Excerpts] The Beijing Municipal Research Society for Ideological and Political Work of Staff and Workers held a conference on 11 October of all the members at the Shoudu Iron and Steel Company to implement the guidelines of the 3d Plenary Session of the 13th party Central Committee; to summarize experiences in ideological and political work; to commend advanced research societies for the ideological and political work by their staff and workers and their outstanding workers, and to bring the advantage of ideological and political work into play in the course of improving the economic environment, rectifying the economic order, and comprehensively deepening reform. Li Ximing, member of the Political Bureau of the CPC Central Committee and secretary of the Beijing Municipal CPC Committee, spoke at the conference. Zhao Yinhua, vice president of the China Research Society for Ideological and Political Work of Staff and Workers; Wang Jialiu, deputy secretary of the Beijing Municipal CPC Committee; and responsible comrades of the Propaganda Department of the municipal party committee, the Industrial Department, and the Urban Construction Department, extended greetings at the conference.

Li Sheng, secretary general of the Municipal Research Society for Ideological and Political Work of Staff and Workers, delivered a work report at the conference. [passage omitted]

Amid cheerful music, Comrade Li Ximing, Zhao Yinhua, and Wang Jialiu presented awards to the research societies and individuals on whom were conferred the title of excellence.

Zhao Yuji, deputy secretary of the party committee of the Shoudu Iron and Steel Company and vice chairman of the company's board, introduced the company's general situation of reform and experiences in ideological and political work.

Comrade Li Ximing extended greetings to outstanding ideological and political workers. He said: The third plenary session, which has just concluded, said that it is necessary to improve the economic environment and rectify economic order. The improvement of the economic environment and the rectification of economic

order are related to everyone's interests. To unify the thought of the whole party and submit to the whole situation, it is even more necessary to strengthen ideological and political work. Some of our comrades still lack belief and spiritualism. There must be spiritual pillars, firm belief, and a strong force of unity if a nation wants to develop, if a country wants to be strong, and if an enterprise wants to become vigorous. The Shoudu Iron and Steel Company's achievements in reform over the past 10 years were guaranteed by its forceful ideological and political work. Li Ximing stressed in his speech that, in the course of improving the economic environment, rectifying economic order, and comprehensively deepening reform, the party should bring into play its role as a core of leadership and its guaranteeing and supervisory role. He said: No matter what changes have taken place in the system of leadership, the party branches' role as a fighting force and the party members' exemplary vanguard role must be brought into play. This is the foundation for ideological and political work. Only when party, government, trade union, and CYL organizations make concerted efforts to conduct ideological and political work can our ideological and political work be able to be enhanced greatly.

**Hebei's Xing Chongzhi on Implementing Guidelines**  
*SK2610065088 Shijiazhuang HEBEI RIBAO*  
*in Chinese 11 Oct 88 p 1*

[Text] The 4-day provincial meeting of party secretaries and presidents of institutes of higher learning concluded on 10 October after relaying and studying the guidelines of the 3d Plenary Session of the 13th CPC Central Committee.

Xing Chongzhi, Li Wenshan, and Yue Qifeng addressed the meeting. Liu Ronghui, Chen Yujie, and Wang Zuwu attended.

Party secretaries and presidents of various institutes of higher learning conscientiously studied the guidelines of the 3d Plenary Session of the 13th CPC Central Committee during the meeting. They expressed unanimous support for the party Central Committee's analysis of the current situation and the principles, policies, and measures it had formulated. They held that the party Central Committee had convened a crucial conference in the crucial period of reform, and had solved precisely the problems that the people were concerned about. This meeting of party secretaries and presidents held by the provincial party committee was also very opportune. They held: Through this meeting, people have come to a fairly clear understanding of the guidelines of the third plenary session, and have initially clarified the relationship between improving and rectifying the economic environment and the economic order and deepening reform, between the achievements in the 10-year reform and the current problems, and between the partial and the whole situations. They have seen the determination

of the party Central Committee, and the determination of the provincial party committee to implement the policy decisions of the party Central Committee.

At the meeting, Xing Chongzhi spoke on four opinions on ways to implement the guidelines of the third plenary session and unify the ideological understanding and action of the teachers, students, administrative personnel, and workers of institutes of higher learning in line with these guidelines.

First, thoroughly understand the guidelines of the third plenary session, and unify ideological understanding. The 3d Plenary Session of the 13th Party Central Committee was a conference of great significance held when our country's reform entered a crucial period. The guiding principle of improving the economic environment, rectifying the economic order and comprehensively deepening reform, and the various policies and measures put forward at the session are correct and opportune, and will play a key role in our country's economic and social development. In implementing the guidelines of the session, the most important thing is to accurately and thoroughly understand the guidelines, and unify the ideological understanding of the masses of cadres and people. Only when we thoroughly and accurately understand the guidelines and achieve unity in thinking can we unify our will, steps, and action, and win a success in improving the economic environment and rectifying the economic order on the premise that the general orientation of reform and opening up is adhered to.

The party Central Committee decided to focus the reform and construction for the next 2 years on improving the economic environment, rectifying the economic order, and comprehensively deepening reform. This is a positive and correct policy decision made by the party Central Committee after it had sized up the situation. The improvement and rectification are an important prerequisite for deepening reform, and also constitute an important content of reform. We should carry out the improvement, rectification, and reform simultaneously, and deepen the comprehensive and coordinated reforms in various fields while conducting the improvement and rectification. As far as the institutes of higher learning are concerned, to be specific, we should continue to emancipate our minds, and delegate to schools the power they are entitled to so as to expand their autonomy in running schools. Institutes of higher learning shoulder the heavy historical task of cultivating competent personnel for the four modernizations. To truly turn the institutes of higher learning of our province into an important element to safeguard stability and unity, a force to revitalize Hebei's economy that we can rely on, and the major bastion for cultivating senior specialized personnel, we should, at present, unify the ideological understanding of the masses of teachers and students of the institutes of higher learning through relaying and implementing the documents of the party's third plenary session, promote social stability and unity, and enhance the cohesion for comprehensively deepening reform.

Second, conduct systematic and effective education in the current situation in line with actual conditions. At present we should conduct an extensive and thorough education in the current situation by improving the economic environment, rectifying the economic order, and comprehensively deepening reform as the central content. Institutes of higher learning should make the education more realistic, systematic, and effective. We should enable the masses of teachers, administrative personnel and workers, and college students to correctly understand the current situation, the tremendous changes brought about by the 10-year reform, the problems we encounter, and the principles and policies of the party Central Committee so that they will understand the overall situation of the state and the major aspects of reform and construction, have more courage in overcoming difficulties and more confidence in deepening reform, work in unison, maintain a plain living and arduous struggle, and devote all their wisdom and efforts to "accomplishing the four modernizations and rejuvenating China." The education in the current situation should be realistic and effective, meet actual needs, answer the questions that teachers and students are most concerned about, and be systematic. Instead of giving vague and general preaching or judging a case as it stands, the education should give reasons to make clear explanations to different levels in an orderly manner. We should improve the methods for ideological and political work, perfect the democratic systems of schools, and unclog the channels for democracy. We should regard the present education in the current situation as a new starting point of our endeavor to strengthen and improve ideological and political work, and strive to explore a new way for the ideological and political work of institutes of higher learning in the new period.

Third, strengthen management with a spirit of reform, and raise the standards of school style and discipline. Generally speaking, the institutes of higher learning of our province are fairly stable, and their teaching order is also good. However, some schools also have the phenomenon of lax management and discipline. While intensifying the education in the current situation, the various schools and institutes should strengthen management with a spirit of reform, establish a good school style, and approach the strengthening of management and establishment of a good school style from the perspective of what kind of ideology we will adhere to in running schools and what kind of personnel we will cultivate. Based on new conditions, we should establish and improve the management system, and resolve the issue of being brave in and being good at management. While stressing the importance of strict management, we should greatly advocate educating the people through imparting knowledge, rendering service, and exercising management, and combine the endeavor to educate the people with the endeavor to improve the various work of schools. Efforts in and outside schools should be pooled to carry out comprehensive improvement so that institutes of higher learning can become a stable, united, and civilized base for educating the people.

Fourth, strengthen party leadership, and give full play to the role of the party organizations of schools. Institutes of higher learning are popularizing the president responsibility system step by step. This is an important reform of the leadership system of institutes of higher learning. We should fully develop the guaranteeing and supervisory role of party organizations, and party committees should regard it their own basic political responsibility to guarantee the teaching orientation of institutes of higher learning and comprehensively fulfill the targets for training students. Grass-roots party organizations should be further improved while improving the economic environment and rectifying the economic order. To develop our political advantages, we should attach importance to developing the role of every party branch and every party member. Party organizations at various levels of institutes of higher learning should conduct in-depth investigations and study, and pay attention to analyzing the problems that may become trends. We should coordinate the forces of various quarters to properly handle various contradictions. We should safeguard the stable, united, democratic, and harmonious political situation, and make new contributions to ensuring the smooth progress of improving the economic environment, rectifying the economic order, and deepening reform.

Yue Qifeng analyzed the current situation in reform and construction of our province, put forward the basic ideology and major measures for our province to improve the economic environment, rectify the economic order and deepen reform, and stressed that the key to the improvement and rectification lies in dampening the overheated economy, reducing the inordinately large consumption, and eliminating inflation. He called for efforts to foster the idea of taking the whole country into account, carry forward the spirit of plain living and arduous struggle, win a success in reform, and stabilize and develop our province's economy.

At the end of the meeting, Li Wenshan set forth requirements for institutes of higher learning to successfully study and implement the guidelines of the third plenary session. He said: We should grasp key points, and conduct propaganda and education to clarify the hot spots, difficulties, and confusion in the understanding of the teachers, students, administrative personnel, and workers to unify their thinking. After this, we should clearly define the role of the schools in improving the economic environment and rectifying the economic order, and conscientiously push forward the various work of the schools. He urged responsible comrades of institutes of higher learning to take the lead in studying documents, thoroughly understand the guidelines, achieve unity in understanding, enhance confidence, and make the education in the current situation successful in the process of relaying and implementing the guidelines. We should refrain from practicing formalism and stress actual results.

**Hebei's Xing at Inauguration of Foundation**  
**SK2610091388 Shijiazhuang HEBEI RIBAO**  
**in Chinese 10 Oct 88 p 1**

[Text] The provincial foundation for the aged—a social organization in service to the old people of our province—was established in Shijiazhuang City on 8 October. Wang Zhaohua, chairman of the National Committee of Aging, attended and addressed the inaugural meeting. Xing Chongzhi, secretary of the provincial party committee; and Yue Zongtai, vice chairman of the provincial People's Congress Standing Committee; attended to extend congratulations. Provincial Vice Governor Song Shuhua spoke.

The number of old people in our province has reached more than 5.1 million, amounting to 9.1 percent of the province's population. It is expected the number will exceed 5.8 million by 1990, amounting to 10 percent of the population, and the province will become one of the "aged." To "provide support, medical care, jobs, study programs, and recreation for old people," our province has established many social welfare facilities for them. However, these facilities are still far from meeting the needs of the existing old people. The provincial foundation for the aged was established precisely to counter this situation. This foundation is a social organization that raises funds to provide aid for the welfare undertakings of the province's aged, and its task is to serve old people and the work related to old people. In addition to government financial aid, funds for the foundation will come mainly from social groups and its own efforts to generate income. It will rely on donations from party and government organs, enterprises and institutions, people's groups, mass organizations, and individuals; and strive to win donations from Hong Kong, Macao, and Taiwan compatriots, Overseas Chinese, and friendly foreign groups and persons. It will organize various scientific and technological consulting services provided mainly by retired scientific and technical personnel and specialized technical personnel, and help economic entities to make good omissions and deficiencies of the four modernizations in order to accumulate funds for the welfare undertakings for the aged and continuously increase existing funds. [passage omitted]

**Inner Mongolia Congress on Economic Cooperatives**  
**SK2610091288 Hohhot Inner Mongolia Regional Service in Mandarin 2300 GMT 25 Oct 88**

[Excerpts] The Fourth Congress of the Regional Federation of Supply and Marketing Cooperatives ceremoniously opened in Hohhot on 25 October.

Twenty-four years have elapsed since the Third Congress of the Regional Federation of Supply and Marketing Cooperatives convened in 1964. The major tasks of this congress are to conscientiously summarize positive and negative experiences gained over the past 24 years, particularly summarizing [words indistinct] under the

new situation of reform and opening-up; to examine and discuss the work report of the regional supply and marketing cooperative, the report on its financial situation, and the report on revising the constitution of the cooperative; to examine and discuss the draft on revising the constitution of the regional federation of supply and marketing cooperatives; to elect the fourth committee of the regional federation of supply and marketing cooperatives; and to elect the region's representatives to the congress of the all-China federation of supply and marketing cooperatives.

Alatanaoqier, vice chairman of the region, made a speech at the congress. He set some demands on how to achieve further success in the reform of supply and marketing cooperatives and to accelerate their development. [passage omitted]

Present at the opening ceremony were regional party and government leaders, including Wang Qun, Bu He, and Qian Fenyong. They extended congratulations on the opening of this congress.

**Inner Mongolia To Reduce Capital Construction**  
*OW2610050088 Beijing XINHUA Domestic Service  
in Chinese 0754 GMT 24 Oct 88*

[By reporter Wei Youlin]

[Text] Hohhot, 24 Oct (XINHUA)—The Inner Mongolia Autonomous Region's leading group for screening fixed assets investment projects held its first meeting recently. Bu He, chairman of the autonomous regional government, announced at the meeting that, in the screening, it is necessary first to cancel or suspend the "leader-approved projects." In the course of studying and reexamining the first group of projects selected for cancellation or suspension, Bu He and other leading comrades took the lead in canceling and suspending nine capital construction projects which they had approved.

Currently, the autonomous region has canceled or suspended 11 construction projects in the first group, originally designed to cover 161,900 square meters of floor space, and the cancellation and suspension will save 144 million yuan. Of those projects, the nine "leader-approved projects" are the Inner Mongolia Children's Center, the Inner Mongolia Art Gallery, the Inner Mongolia Senior Citizens' Stadium, the Hure Banner Government Office Building, the Bameng Middle Banner People's Congress Office Building, the Bameng Rear Banner People's Congress Office Building, the Hohhot City Women's Judo Hall, the democratic Parties Office Building, and the Inner Mongolia Swimming Training Hall.

The meeting also decided: From now on, any projects on which construction has not yet started, must be suspended, regardless of who approved them. Party and government leaders in the autonomous region should act

strictly in accordance with the capital construction procedures. Under no circumstances should they approve unnecessary projects. At the same time, in screening the fixed assets investment projects, all league, city, banner, and county leaders are requested to first cancel or suspend those projects they have approved. In the next few years, it is prohibited to build nonproductive projects, such as office buildings, auditoriums, guesthouses, and training centers at all levels in the autonomous region.

**Northwest Region**

**Shaanxi Secretary Urges Media To Spread Spirit**  
*HK2610144088 Xian Shaanxi Provincial Service  
in Mandarin 0500 GMT 26 Oct 88*

[Text] Secretary Zhang Boxing of the provincial party committee yesterday afternoon went to the provincial Radio and Television Department to see how things are there, calling on the provincial radio and television stations to give widespread publicity to implementation of the spirit of the 3d Plenary Session of the 13th CPC Central Committee.

Comrade Zhang Boxing listened attentively to a briefing given on the work of the provincial Radio and Television Bureau. He noted: We depend only on you for relaying the voice of the CPC Central Committee to the people and reporting the aspirations to the higher authorities because radio and television broadcasting can reach a wide range of areas and can produce a great impact on the people. The present key task for the press is to do a good job of giving publicity to the spirit of the two meetings of CPC Central Committee.

Zhang Boxing yesterday also visited a radio and television transmitting tower located in the southern outskirts of Xian City and called on working personnel there.

**Shaanxi Calls for Investigation of Profiteering**  
*HK2610053588 Beijing RENMIN RIBAO  
in Chinese 19 Oct 88, p 4*

[Dispatch from Xian by XINHUA Reporter Hou Jiayin (0186 0857 5593) and RENMIN RIBAO Reporter Jing Xianfeng (2529 7145 1496): "Shaanxi Governor Calls for Strict Investigation Into 12 Cases of 'Official Profiteering'"]

[Text] At the Enlarged Second Session of the 7th Shaanxi Provincial CPC Committee held on the morning of 13 October, Hou Zongbin, governor of Shaanxi Province, and two deputy governors of Shaanxi Province publicly exposed 12 major cases of "official profiteering" and called for a thorough investigation into the companies involved.

According to the statistics gathered by the relevant department of Shaanxi Province, at present, Shaanxi Province has a total of 6,787 various types of companies.

Of the 6,787 various types of companies, 5,290 are the companies which survived the campaign of rectifying and checking up "briefcase companies," which was carried out in 1985, and 1,497 are the new companies which have been set up over the past 2 years. As far as the overall situation is concerned, the majority of these companies have been able to abide by the state laws and regulations in their operations. However, some of these companies are unnecessary ones or have been engaged in illegal business dealings. Of the 12 major cases of "official profiteering," eight cases were committed by this type of company.

The Xian Aero-Engine Company, whose illegal profit is astonishing, resold 4,363 tons of kerosene, 95 tons of gasoline, and 200 tons of diesel oil, which had been allocated to it by the state plan, at negotiated prices, thus gaining a huge profit of 1.53 million yuan. In collusion with two other companies in Xianyang City, the Cotton, Tobacco, and Flax Company of Qindu District, Xianyang City employed trickery and resold 96,000 kilograms of "double-excellent cotton," which had been earmarked for market supply by the state plan, at negotiated prices as cotton outside the state plan, thus illegally gaining a profit of 0.176 million yuan. The Xian Hardware and Electrical Appliances Wholesale Company, together with some other state units, illegally gained 0.56 million yuan by re-selling more than 1,400 color television sets together with the same number of cassette-tape recorders by giving only vouchers and not cassette-tape recorders to the customers.

Over the past few years, the Shaanxi Provincial Agricultural Materials Company have resold 95.6 tons of farm-oriented plastic film at prices higher than the state prices on four occasions, thus illegally gaining nearly 30,000 yuan. The Shaanxi Provincial Medicine Company illegally gained a profit of 0.322 million yuan by selling 0.315 million injections of [ren ti bìn zhong qiu dan bai 0086 7555 3808 5751 4101] at prices 10 percent to 97 percent higher than the state prices. Chenggu County's Nitrogenous Fertilizer Plant illegally gained a profit of 77,600 yuan by reselling 5,173 tons of carbon ammonia at higher prices. The Xian Communication and Electrical Appliances Purchase and Supply Center raised refrigerator prices and refrigerator repair charges and resold 866 imported refrigerators at higher prices by taking advantage of the panic purchasing in the city, thus illegally gaining a profit of 36,000 yuan.

The town and township enterprise companies of Xian City illegally gained a profit of 0.26 million yuan by reselling steel products at higher prices in the local areas. The Shaanxi Provincial Foreign Economic and Technological Development Company signed a contract on purchasing 150 tons of ingot aluminium for a unit of Fujian Province with the Aluminium Plant of Tongchuan City last year. However, after the unit of Fujian Province paid the money, the Aluminium Plant of Tongchuan City did not immediately deliver the ingot

aluminium to it. Instead, the Aluminium Plant of Tongchuan City still kept the ingot aluminium in its warehouse and later resold the ingot aluminium to five clients at a price which was 4,400 yuan or 69 percent higher than the original price. The Shaanxi Provincial Natural Resources and Foodstuff Comprehensive Development Company had its business license revoked by the Industrial and Commercial Administrative Department of Shaanxi Province for its alleged speculation in vehicles. However, this company made no efforts to mend its ways, continued to engage in illegal business dealings, and illegally gained a profit of 51,000 yuan by reselling 200 tons of so called "super-urea" chemical fertilizer at higher prices.

What is more serious, the Xian Branch of the China Humane Studies Development Company illegally gained a profit of 200,000 yuan by illegally selling the state permit on purchasing refrigerators. This company has been engaged in the illegal business of reselling color television sets and other types of household electric appliances at higher prices for a long time. Some 850,000 yuan of bank deposits belonging to the company have been frozen by the revenue department of Xian City because of the company's alleged tax invasions. As a result of mismanagement, the company is now in a debt of 3.31 million yuan. Because the manager of the company lived in a luxurious hotel for a long time, the company had to pay an accommodation fee of over 16,900 yuan between September and December of last year. This means that the manager of the company spent an average of 170 yuan every day at the expense of the company during that period. The Shaanxi Provincial Joint Financial Investment Company violated the relevant state regulations and lent \$ 0.7 million to another province without signing a contract with and obtaining any economic guarantees from that province at a time when Shaanxi Province urgently needed foreign exchange. The company still could not retrieve the funds after the loan was due for half a year. The company spent tens of thousands of yuan demanding that the province return the money.

The leaders of the Shaanxi Provincial People's Government said that great efforts will be made to resolutely and seriously investigate these major cases of "official profiteering" and prevent these companies from gaining any more economic benefits. Some of these companies will be shut down. Some which have violated the state laws and regulations should be severely dealt with in accordance with the law. Efforts will also be made to ban those companies that have violated the state laws and regulations from restarting their business.

**Ethnic Confrontation in Xinjiang Reported  
HK2610021588 Hong Kong MING PAO  
in Chinese 26 Oct 88 p 10**

[**"Special Dispatch"** From correspondent Kung Yen (1712 3508): "Ethnic Relations Tense in Xinjiang as Students Demonstrate and Pamphlets Circulate"]

[Text] Since the student demonstration in mid-June, the situation in Xinjiang has been tense. Slogans and pamphlets instigating ethnic confrontation have surfaced

continuously in various localities. Local officials believe that students have been incited by foreign forces, and that this also has something to do with the policy of opening up which has been gradually implemented in recent years.

Xinjiang Autonomous Regional CPPCC Chairman Ba Dai said: At present there are seven foreign organizations involved in splittist activities in Xinjiang. These organizations are: "Eastern Turkish National Salvation Committee," "Eastern Turkish National Revolutionary Front," "Eastern Turkestan Charity Funds," "The Kazak Turk People Charity Funds," "New Eastern Turkish Residents' Association," "The World Islamic Federation," and the "Eastern Turkestan, Mongolian, Manchurian and Tibetan People Federation Committee." Under the signboard of Eastern Turkestan, these organizations are carrying out various kinds of splittist activities. The Aisha group, led by former secretary general of the Hsinchiang provincial government during the KMT [Kuomintang] period, is the most active. They have published magazines, run schools of scripture, and established and developed the "Eastern Turkish Party." They buy over people from Xinjiang who go on pilgrimages to Mecca, send spies to Xinjiang, and instigate ethnic confrontation and hatred.

With the implementation of the policy of opening up, more and more Xinjiang people go on pilgrimages, or go abroad to visit their relatives. Some of them are drawn over, or lured with material benefits by splittist organizations abroad. After they return to Xinjiang, they dissipate splittist ideas, or instigate other people to cause trouble.

Leaders of the Xinjiang Autonomous Region stated: All this was fully manifested in a demonstration staged by some students on 15 June this year. It was reported that on 12 May this year, on a toilet door in the Physics Department of Xinjiang University, obscenities insulting the Urgurs were discovered. The relevant departments immediately investigated the case. On 14 June, some students brought the university authorities to account, blaming them for not doing their best to crack the case. At 1500 the next day, a rally "protesting against ethnic discrimination" was held in the Physics Department of Xinjiang University. Slogans such as "opposing big nationalism," "our nationality will never become slaves," and so on were shouted. Students carried the toilet door out onto the street for a demonstration. More than 600 people took part in the demonstration at its climax. They shouted slogans such as "We do not want to be ethnic slaves," "We must not lose our ethnic moral integrity," "Drive the Han people out," "We oppose the Han people moving into Xinjiang," and so on.

The Xinjiang Autonomous Regional CPC Committee pointed out: This was a student demonstration with most the obvious political coloring in recent years. It was very clear that students had been instigated. Up to mid-September, in Urumqi, Artux, Kashi, Aksu, Hotan,

Tekes, Ili, and so on, some slogans, pamphlets, and big and small-character posters, which instigated nationality confrontation and undermined unity, were repeatedly discovered. At local government meetings, some cadres went so far as to openly state: "The formulation that 'Xinjiang has been part of China since the ancient past' lacks historical basis." They also claimed: "The idea that 'the Han nationality is inseparable from minority nationalities, and that minority nationalities are inseparable from the Han nationality' lacks theoretical basis." They also spread views which express discontent with the present state of affairs, and advocated "ethnic self-determination." It has been reported that some people have secretly established an anti-communist organization, the "Eastern Turkish Party," inside the Xinjiang Autonomous Region.

The above-mentioned problem has aroused the close attention of the highest leadership stratum of the CPC.

**Foreign Sabotage 'Biggest Threat'**  
*HK2710090088 Hong Kong AFP in English  
0821 GMT 27 Oct 88*

[By Pierre-Antoine Donnet]

[Text] Beijing Oct 27 (AFP)—Clandestine groups abroad seeking independence for Xinjiang are sending spies to the area along the border with the Soviet Union to instigate an overthrow of the Chinese presence, a regional official said.

The biggest threat in Xinjiang is "elements coming from outside to conduct acts of sabotage and separatism," Wang Enmao, the regional Advisory Committee chairman, was quoted as saying by the official SHANGHAI INFORMATION DIGEST.

Mr Wang said several separatist organizations had been created to seek independence for the vast northwestern region previously known as "Chinese Turkestan."

Seven organizations have recently intensified their activities in the Xinjiang Autonomous Region, he was quoted as saying by the newspaper in an edition dated October 25 received here Thursday.

Mr Wang, the Beijing-appointed strongman in Xinjiang for decades, named three of the groups as the Eastern Turkestan National Salvation Committee, the Eastern Turkestan Popular Revolution Front and the World Islamic Alliance.

"Their slogan is 'Independence for Xinjiang.' They do not recognize Xinjiang as part of our great country," said Mr Wang. "They want to found an independent country and separate Xinjiang from the mother country."

The groups "send spies to Xinjiang" to instigate trouble and secretly organize an "Eastern Turkestan Party," the regional official said.

Mr Wang said they also "recruit pilgrims who go to Mecca" every year and open Islamic schools abroad for the formation of operatives who would then take up separatist activities in Xinjiang.

Last summer, Chinese police arrested numerous members of the Kazakh minority group in Yili, an area in northern Xinjiang that stretches 750 kilometers (463 miles) along the Soviet border, according to a well-placed Chinese source.

The police moved in after discovering the existence of one or more secret organizations seeking independence for Xinjiang, the source said.

The Soviet Union provided the information, the source added, as some of the Kazakhs were operating on the Soviet side of the border.

No official confirmation of the arrests of the Kazakhs could be obtained Thursday.

Xinjiang has for a long time been the object of Russian and Soviet designs. It was the site of bloody anti-Chinese riots after the Communists came to power in China in 1949.

If the reports of Soviet cooperation prove correct, it would be a further sign of a normalization of relations between the two communist giants on an issue which is very sensitive for Beijing, observers said.

Kazakh dissent was most notable in 1962, soon after the split between Moscow and Beijing, when 60,000 Kazakhs from Yili took refuge in the Soviet Union.

Kazakhs, like the six million Uygers in Xinjiang, are devout Moslems.

The daily and radio in Xinjiang condemned "separatist activities" in Yili several times in August, and the deputy secretary of the Communist Party in Xinjiang, Janabil, accused a "minority of people, in China and abroad" of sabotaging Chinese unity.

But this is the first time in several years China had explicitly mentioned and in such detail the existence of clandestine groups seeking independence for Xinjiang, observers said.

Between 2,000 and 3,000 Moslem students demonstrated in January 1986 in Urumqi, the regional capital, against Beijing's nuclear tests in Xinjiang.

On June 15, between 300 and 700 students at the University of Xinjiang protested against what they said was racially-motivated graffiti on campus.

**Article Urges Mainland Trade With Taiwan**  
**HK2610130288 Hong Kong LIAOWANG OVERSEAS**  
**EDITION in Chinese No 42, 17 Oct 88**

[Article by An Min (1344 3046), deputy director of the Office of Trade With Taiwan of the Ministry of Foreign Economic Relations and Trade: "Develop Trade Between the Two Sides of the Strait To Benefit the Chinese Nation"]

[Text] In the Chinese Export Commodities Fair which has just opened, a "Taiwan Compatriots Advisory Department" has been set up for the first time to provide service to the personages of Taiwan industrial and commercial circles. This has evoked the interest of the Taiwan compatriots who have come to attend the fair. In the wake of the relaxation of the relations between the two sides of the strait, this year's Chinese Export Commodities Fair begins greeting many traveling traders from the other side of the strait. They have brought with them the kindred feelings of our blood compatriots as well as the good desire for developing trade between the two sides of the strait. The Guangzhou Fair will become a bridge to facilitate the economic exchanges between the two sides of the Taiwan Strait.

The development of the economic relations and trade with Taiwan and the promotion of the economic prosperity of the two sides of the strait is the consistent principle of the mainland of our motherland. In December 1978, at the 3d Plenary Session of the 11th CPC Central Committee, the CPC established the great political principle of peacefully unifying the motherland. On New Year's Day of 1979, the NPC Standing Committee published a "letter to the Taiwan compatriots" and put forward a certain number of specific suggestions and views on achieving the great cause of the unification of the motherland, some of which pointed out: "Taiwan and the mainland of the motherland were originally an economic entirety." "We should completely develop trade between us, each should supply what the other needs, and we must carry out economic exchanges. This is our mutual need and will benefit any one side with harm." At the same time, it is hoped that the two sides of the strait can realize the exchange of air and shipping services and exchange of mails as soon as possible.

Over the past 9-odd years, the departments of the mainland, including the Department of Foreign Economic Relations and Trade, Financial and Economic Department, customhouse, and banks, have adopted a series of measures to promote the exchange of trade, thus getting rid of the isolated condition of the two sides of the strait for some 30 years. While importing materials, the mainland always gives priority to the purchase of Taiwan products when their quality and prices are the same as those of the products of other places. In export to Taiwan, the mainland encourages the expansion of exports to Taiwan. It increases the export of traditional Chinese medicinal materials, special local products, industrial chemicals, and mineral products to Taiwan;

and makes preparations for the long-term and steady export to Taiwan of a large quantity of raw and semifinished materials and commodities—including coal and cotton. In the aspect of railroad and sea transport and port handling, the mainland does its best to provide its Taiwan customers with preferential treatment and facilities. These measures have no doubt played an active part in promoting the trade and economic relations between the two sides of the strait. What must be pointed out is that in recent years, the personages of industrial and commercial circles and other circles in Taiwan have enthusiastically supported and vigorously promoted trade with the mainland. They have broken through obstructions to establish merchandise trade relations with the mainland in all forms and through all channels and made contributions toward the economic prosperity of the two sides of the strait.

It is in such a situation that great progress has been made in trade between the two sides of the strait for the past 9-odd years. According to incomplete statistics, the amount of entrepot trade via Hong Kong between the two sides of the strait over the past 9 years has recorded an increased approximately 20 times. The total amount of trade by the end of 1987 had approximated to \$6 billion, \$1.6 billion of which was the amount of trade between the two sides of the strait in 1987. Since the beginning of this year, the entrepot trade between the two sides of the strait has increased by a wide margin. It is estimated that the amount of trade in the whole year will exceed \$2 billion. At the same time, the trade variety between the two sides of the strait has increased greatly and the trade structure has gradually tended to be rational. Taiwan commodities now imported into the mainland are mainly raw chemical fiber materials, chemical fabrics, building materials, light industrial products, chemical products, electrical products, machinery, and so on. Mainland commodities exported to Taiwan are mainly traditional Chinese medicinal materials, grain, oil, aquatic products, local and livestock products, mineral products, raw textile materials, industrial chemicals, and so on.

The rapid growth of trade between the two sides of the strait has gradually enabled more and more people to understand that the development of trade between the two sides of the strait is beneficial not only to the modernization of the mainland but also to the economic development of Taiwan.

In fact, the economies of the two sides of the strait have their own strong points. Over the past 30-odd years, as a result of the hard struggle of the mainland compatriots, the mainland has built up an independent and relatively complete industrial system and approximated to or caught up with the world advanced level in many scientific and technological spheres. The mainland abounds in human resources and natural resources and has very great potential of economic development. Particularly since the implementation of the policy of reform and opening up in 1978, economic development has been

rapid. However, due to the large population and weak foundation of the mainland, the national income now is relatively low and the economy and technology is, on the whole, relatively backward. In the course of economic development, the mainland therefore needs the introduction of a large amount of capital and technology, a large number of qualified enterprise management personnel, and a large amount of management experience. In recent years, Taiwan's economic development has been relatively fast, the production technology and management level of certain trades are relatively high, and its foreign exchange reserves increased. However, Taiwan is small in area but densely populated, it is destitute of resources, the majority of its products are exported, it has relied greatly on the foreign markets, particularly the U.S. market. With such perplexities as international protectionism, the appreciation of Taiwan currency, and the rise of the cost of the productive forces, Taiwan is eager to find a countermeasure and a way out economically. Therefore, the mainland and Taiwan have each their own strong points and weak points in the aspect of economic development. If, through the development of economic relations, trade, and contacts, they can supplement and support each other, it will certainly benefit both sides.

It is to be regretted that due to the "Three No's" policy and hostility of Taiwan authorities, Taiwan has implemented an "economic and trade Three No's policy" ("no prohibition, no encouragement, and no assistance") for a fairly long period of time. Although Taiwan authorities have recently relaxed restrictions on entrepot trade between the two sides of the strait, they still prohibit Taiwan firms from direct trade with and direct investment in the mainland and artificially hinder the development of economic exchanges between the two sides of the strait.

Over the past 9 years, trade between the two sides of the strait has grown out of nothing has gradually developed from small to large. However, all circles of the two sides of the strait have yet to make concerted efforts to clear away these artificial obstacles and to further develop trade between the two sides of the strait. For example:

—Step up contacts, deepen understanding. Artificial isolation has continued for some 30 years, resulting in a lack of rudimentary understanding of each other. Personages of industrial and commercial circles of the two sides of the strait should understand each other's policies and methods of trade, commodity composition, and market needs; people who cherish an aspiration for promoting investment should also understand each other's laws and regulations of investment and investment environment, and study the feasibility of investment.

—Clear away obstacles, engage in direct trade. Trade between the two sides of the strait over the past 9-odd years has been carried out through indirect channels under the many restrictions of Taiwan authorities. This indirect mode does not conform to the interests of the

people of the two sides of the strait and Taiwan firms, scholars, and experts have also expressed universal dissatisfaction with this. We hope that Taiwan authorities will adopt a more active attitude toward economic exchanges and trade between the two sides of the strait, implement more open policies, and carry out direct trade at an early date.

—Establish people-to-people contacts, normalize trade. Indirect trade over the past 9-odd years has caused great inconvenience to trade between both sides. At present, the masses of the two sides of the strait are all eagerly looking forward to holding talks on the problems of transport, settlement of accounts in foreign exchange, commodity inspection, arbitration, claims for compensation, trademarks, and patents in order to seek a rational method of solution.

We hope to have direct contacts with Taiwan officials or authoritative organs of people's trade circles to carry on negotiations about the solution of the above-mentioned questions so that trade between the two sides of the strait can be gradually normalized and the legitimate economic interests of both trading sides can be safeguarded. The latest friendly meeting and consultation of the arbitration organs of the two sides of the strait has set a very good precedent.

The unification of the motherland is a common desire of the Chinese people of the two sides of the strait and the development of the economic relations and trade between the two sides of the strait is an irresistible trend. We hope that personages of all circles of the two sides of the strait will unite in a concerted effort, get rid of hostility, and clear away obstacles to develop trade between the two sides of the strait and to bring benefit to the Chinese nation.

**Copyright Official on Cooperation With Taiwan**  
*OW2710044288 Beijing XINHUA in English*  
*0755 GMT 23 Oct 88*

[Text] Beijing, October 20 (XINHUA)—Any contracts of copyright trade between the mainland and Taiwan would be invalid without approval by the National Copyright Administration of China (NCAC), the NCAC Director General Song Muwen reiterated here today.

In an interview with XINHUA, Song said the copyright trade and cooperation in publication between China's mainland and Taiwan have helped promote the understanding between the people of both sides and develop Chinese traditional cultures.

"We have had a good beginning in this regard, and we are continuing to promote the exchange and cooperation," he added.

But he advised the mainland authors to be positive as well as prudent when transferring the possession of their copyrights to Taiwan publishers.

Since late last year, many Taiwan and Hong Kong publishers have come to the mainland for copyright trade and cooperation in publication. And the Copyright Agency of China (CAC) has been entrusted with handling some 100 cases of copyright transferring.

But there have still been many private trade cases undertaken between the mainland authors and Taiwan publishers without sending their contracts to the NCAC for approval.

"As a result," Song said, "some authors have inappropriately sold out entire possession of their copyrights and some terms in those contracts were not fair."

As the mainland has not yet enacted a copyright law, many writers are not clear about their own rights.

In order to protect authors' rights and interests and to promote the smooth development of the copyright trade with Taiwan, Song explained, last November the NCAC enacted a document stipulating that authors should not sell out entire possession of their copyrights but only transfer the right of publication.

Early this year, the NCAC again specified that any contract of copyright trade would be invalid without its approval.

Song said that his administration had decided to empower local copyright administrations to register and approve the contracts of copyright trade for the convenience of local authors.

"I have reiterated our regulations precisely to protect the authors' rights and interests and to promote the healthy development of copyright trade and cooperation in publication between the mainland and Taiwan," Song added.

## Hong Kong

**Governor Comments on Import of Foreign Workers**  
*OW2610155888 Beijing XINHUA in English*  
*1448 GMT 26 Oct 88*

[Text] Hong Kong, October 26 (XINHUA)—Foreign workers may be admitted to Hong Kong provided that certain conditions are met, the secretary for security, Geoffrey Barnes, said at the Legislative Council today.

He was answering a question about whether a limited number of foreign workers could be imported on a short-term contractual basis to work for selected industries without changing the existing policy.

Hong Kong governor said earlier this month that the government does not at present plan to change the existing policy and allow the import of substantial numbers of workers from outside Hong Kong.

Barnes said that according to the existing policy, foreign workers might enter Hong Kong for employment on the following conditions.

There is no security objection and they have no known records of serious crime.

There is no likelihood of them becoming a burden on Hong Kong.

They possess a special skill, knowledge or experience of value to, and not readily available in, Hong Kong or are in a position to make a substantial contribution to the economy of Hong Kong.

Workers were allowed to stay for six months initially and extensions will be granted if the circumstances prevailing at the time of the original approval still prevail, he said.

In 1987, about 4,800 middle management, professional and technical staff from a wide range of countries including Japan, the United States and Australia were admitted into Hong Kong, he said.

"Another 2,800 were admitted in the first seven months of this year," he said.

As for workers from China, there was not general provisions for them to enter Hong Kong for employment purposes.

Nevertheless, as more than 27,000 permanent residents of China entered Hong Kong each year legally through the one-way permit scheme, many of them inevitably joined the local labor market, he said.

**Mainland Crackdown Closes Investment Company**  
*HK2710065988 Hong Kong HONGKONG STANDARD*  
*in English 27 Oct 88 pp 1, 3*

[By Matthew Leung and Justin Dear]

[Text] China's crackdown on malpractices in its companies in Hong Kong has claimed its first victims.

Some 70 employees of Sinocorp Investments Ltd, which dealt in gold bullion among other things, found themselves suddenly out in the streets yesterday.

They were told by a team of Guangdong trade investigators that the 11-month-old company was no longer being funded by China. The company is also being investigated by the police for alleged fraud.

The Guangdong investigators, who arrived earlier this month to look into the malpractices, reportedly told the employees that they would take legal action against the company directors for deception.

But it is understood that one company director filed a complaint earlier with the Hong Kong XINHUA office claiming China had deserted the company without reason.

The Vice-Governor of Guangdong Province, Mr Yu Fei, recently estimated that some 100 "illegal enterprises" in Hong Kong financed with Guangdong capital would have to close by the end of this year.

Mr Yu said the local government had permitted only 19 provincial and municipal firms to operate in Hong Kong.

The investigations in Hong Kong are part of a nationwide crackdown on corruption.

Some angry Sinocorp employees claimed they had been cheated by China and warned that the pull-out would ruin Beijing's reputation among local residents. They said they would not have joined the company if they had known it was not funded by Chinese capital.

The staff will be seeking help from the Labour Department this morning. They have decided also to petition the local XINHUA NEWS AGENCY and Central-Western District Board. They want the company would up to cover their outstanding wages and commissions which total \$400,000.

The Commercial Crime Bureau began its own investigation into the company after receiving a report two weeks ago about possible unauthorised transactions within the company.

Two of the company's directors were stopped at the airport two weeks ago by the policy. They have since been allowed bail of \$100,000 each.

The company, which dealt with foreign exchanges and gold trading, was registered under the Companies Ordinance in November last year, with 98 per cent of its capital funded by Real State Ltd, a Guangdong capital company. The two companies shared the same office in Central.

A promotional pamphlet published in May entitled "Sinocorp Gold Scheme", described the company as a China-funded financial company under the commission of Foreign Economic Relations and Trade of Guangdong Province.

Employees claimed Real State Ltd withdrew from the company in July without notifying Sinocorp's staff. They said the first sign of trouble came in September, when Sinocorp was asked to move its sales office from the premises.

A sales manager of Sinocorp, Mr Francis Ho, said: "We began to feel something was very wrong when some clients complained about not being able to cash their deposits." This happened at the end of September.

On October 5, the company announced that it would have to delay by one week the payment on commissions owed to its sales staff. One week later, Real State Ltd put up a notice giving Sinocorp 10 days to move out.

Some sales representatives told the STANDARD that they were only aware that Real State Ltd had pulled out of the company after the company register was checked less than a fortnight ago.

It was only then they made a complaint to the police. They also met company directors in an effort to get the position clarified.

They were told to wait while the management attempted to convince China to continue funding the company.

The Guangdong authorities remained silent yesterday. The directors and officials of Real State Ltd were not available for comment last night.

**Imports, Reexports Increase Since Sep 1987**  
*OW2710003788 Beijing XINHUA in English*  
*1550 GMT 26 Oct 88*

[Text] Hong Kong, October 26 (XINHUA)—Hong Kong's external trade showed a significant growth in September 1988 over a year earlier, with substantial increases recorded for re-exports and imports.

According to statistics released today by the Census and Statistics Department, re-exports increased by 59 percent to 26.23 billion HK dollars compared with the same month of 1987.

The value of domestic exports reached 19.95 billion HK dollars, 11.8 percent higher than in September 1987.

The value of total exports thus amounted to 46.18 billion HK dollars, 34.5 percent higher than in September 1987.

The imports value grew by 36.4 percent over a year earlier to almost 44.70 billion HK dollars.

The visible trade balance in September 1988 recorded a surplus of more than 1.48 billion HK dollars, equivalent to 3.3 percent of the value of imports, statistics show.

Compared with the first 9 months of 1987, total exports in terms of value grew by 29.3 percent to about 349.33 billion HK dollars.

**Macao**

**Law Drafting Committee Issues Communiqué**  
*OW2710054188 Beijing XINHUA Domestic Service*  
*in Chinese 1610 GMT 26 Oct 88*

[Text] Beijing, 26 Oct (XINHUA)—Communiqué of the First Plenary Meeting of the Basic Law Drafting Committee for the Macao Special Administrative Region of the People's Republic of China

(26 October 1988)

The Basic Law Drafting Committee for the Macao Special Administrative Region of the People's Republic of China held its first plenary meeting from 25 to 26 October 1988 in Beijing.

During the period of the meeting, party and state leaders Zhao Ziyang, Deng Xiaoping, Yang Shangkun, Li Peng, Wan Li, and Li Xiannian met with the members attending the first plenary meeting of the Basic Law Drafting Committee of the Macao Special Administrative Region. The members regarded this as a great encouragement to their work of drafting the basic law.

Wan Li, chairman of the Standing Committee of the National People's Congress presented credentials to the members of the Basic Law Drafting Committee for the Macao Special Administrative Region.

At the meeting, Committee Chairman Ji Pengfei announced the commencement of work of the Basic Law Drafting Committee for the Macao Special Administrative Region and presented preliminary opinions about the general plan for the drafting work, steps to be taken, and the work method of the Basic Law Drafting Committee. After open discussions, the meeting endorsed Chairman Ji Pengfei's general plan and steps for the drafting work and expressed determination and confidence to successfully fulfill the work of drafting the basic law.

The meeting decided to entrust the 22 members in Macao as sponsors to organize a nongovernmental advisory committee for the basic law, characterized by broad representation, to coordinate with the drafting work.

The second plenary meeting of the Basic Law Drafting Committee for the Macao Special Administrative Region will be held in May 1989 in Beijing. The main item on the agenda will be initial discussions of the structure of the basic law.

**Meeting Ends 26 Oct**  
*OW2710081088 Beijing XINHUA Domestic Service  
in Chinese 1704 GMT 26 Oct 88*

[By reporter Chang Zheng]

[Text] Beijing, 26 Oct (XINHUA)—The first plenary meeting of the Macao Basic Law Drafting Committee ended at the Great Hall of the People this afternoon.

Ji Pengfei, director of the State Council's Hong Kong and Macao Affairs Office and chairman of the committee, made the concluding speech. He said: The main task of the meeting was to study and work out a preliminary plan for drafting the basic law in stages, as well as to decide on the work methods of the Drafting Committee. Through discussions, members of the committee have reached a consensus and successfully fulfilled the task. He stressed: Following the first plenary meeting, we should step up the efforts on investigative studies in order to fully prepare ourselves for the preliminary discussion of the basic framework of the basic law, including its main contents, in the second plenary meeting.

He said: To coordinate the drafting work, the meeting deems it necessary to establish an unofficial basic law consultation committee with broad representation from people in various circles in Macao, as a bridge for communications and the exchange of ideas, and as a major channel to reflect opinions and suggestions on the basic law to the Drafting Committee.

In conclusion, Ji Pengfei said: Members from the mainland and Macao have cooperated well in the current meeting, which marks a good beginning. I am convinced that, as the drafting work is started, our mutual understanding and trust will be increased, and this is very important for the drafting work.

During the meeting, the members unanimously approved the "Communiqué on the First Plenary Meeting of the Committee for Drafting a Basic Law for the Macao Special Administrative Region of the PRC."

Forty-five members of the Basic Law Drafting Committee attended the meeting today, and three had requested a leave of absence.

In the evening, Ji Pengfei hosted a dinner for all members of the Drafting Committee.

#### Deng, Others Visit Committee

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[Text] The inaugural session of the Macao Basic Law Drafting Committee was accorded a rare honour yesterday when it was visited by China's six highest-ranking leaders.

Dropping in unexpectedly on the second and final day of the meetings in Beijing were elder statesman Deng Xiaoping, state President Yang Shangkun, National Peoples' Congress Chairman Wan Li, Chinese Peoples' Political Consultative Conference Chairman, Li Xian-nian, Premier Li Peng and party Secretary-General Zhao Ziyang.

During the surprise visit and photo session the leaders encouraged the 48 drafters in their "vital task" for the future of the enclave.

The top level treatment by the Chinese leadership is reported to have given the Macao committee members a great confidence boost.

Meanwhile, magnate Dr Stanley Ho, one of 10 vice-chairmen attending the Beijing drafters' meeting hurriedly left the Chinese capital and headed back to Hong Kong yesterday.

It is not known why Dr Ho, who stayed for the photo session with the six Chinese leaders, rushed back to the territory.

Speaking at the close of the two-day first session of the committee, its chairman Mr Ji Pengfei said the second round of the Drafting Committee would be held in Beijing next May.

Making the announcement, Mr Ji urged members to "pay attention to the specific conditions of the territory of Macao."

Mr Ji agreed the Hong Kong Basic Law could "serve as a reference."

He told the Macao members of the committee it was their job "to propose the nominees and define the responsibilities of the Consultative Council of the Basic Law Drafting Committee."

Mr Ji stressed the need to include "representatives of all the interest groups in Macao" on the council, but did not say when the nominations should be submitted.

The 48 members of the Drafting Committee decided the second round would concentrate on the structure of the future Basic Law of Macao, establish specialised committees, and draw up a provisional timetable for the next four years.

The Basic Law of Macao is scheduled to be tabled before the National People's Congress in 1993.

Sources in Beijing said two Macao members were very outspoken during the two-day session. They were newly-appointed Catholic Bishop Domingos Lam and liberal politician Mr Jorge Rangel.

Mr Rangel now heads the Macao Foundation, but was formerly Macao under-secretary for culture, education and tourism.

Sources said Mr Rangel proposed that future meetings be held in Zhuhai, because of its proximity to Macao.

This would give the mainland members of the committee the opportunity to visit the enclave, and learn about its social and economic systems.

Macao members are concerned that most of their mainland counterparts have never been to the enclave and know little about it.

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